United States
Department of
Agriculture

Economic
Research
Service

RS-86-7
June 1986

Western Hemisphere

Situation and Outlook Report

CONTENTS

Coordinator
John Link (202) 786–1662

Contributors
Edward Allen, Nicole Ballenger, H. Christine Bolling,
Richard N. Brown, Jr. Carol Goodloe, Elaine Grigsby, Jorge Hazera
Ricardo Krajewski, Myles Mielke, Nydia Suarez

Statistics
Ricardo Krajewski, Richard Shelton

Word Processing
Mary Oliver, Evelyn Hogland, Maris Gifford

International Economics Division, Economic Research Service
U.S. Department of Agriculture, Washington, D.C. 20250

Appreciation is extended to the Foreign Agricultural Service and the U.S. Agricultural Counselors and staffs in the Western Hemisphere.

Approved by the World Agricultural Outlook Board. Summary released June 9, 1986.

Western Hemisphere Situation and Outlook is one in a series of 10 regional reports published annually by the Economic Research Service. Other titles in the series: Western Europe, USSR, China, East Asia and Oceania, South Asia, Southeast Asia, Eastern Europe, Middle East and North Africa, and Sub–Saharan Africa.

Annual subscriptions and single copies available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. For ordering and pricing information, call the GPO order desk at (202) 783–3238.

Summaries and texts (including tables) of each report are available on several electronic information systems. For details, call (301) 982–6662.

Subscribers to the regional report series will receive renewal notices from the Government Printing Office approximately 90 days before their subscriptions expire. Notices will be sent ONLY ONCE and should be returned promptly to ensure uninterrupted service.

In this report, all data are on a calendar year basis, all tons are metric and all dollars U.S. unless specified otherwise.

SUMMARY

Economic growth in the Western Hemisphere increased in 1985 because of major gross domestic product (GDP) increases in Canada, Mexico, and Brazil. GDP growth in the rest of the region was stagnant. Of the region's 25 countries, 14 had lower growth rates than in 1984. Domestic demand in most of the region is still depressed and investment unchanged. Most countries continue policies to insulate their economies from wide variations in the world market. In addition, a number of governments are still facing massive debt repayment schedules which, in spite of some progress, will continue to affect their economies through the end of decade.

Agricultural output rose in 1985, again because of sharp increases in a few countries, mainly Canada and Brazil. Only 10 of the remaining countries had greater farm production than in 1984. While per capita food production increased in 1985, strong population growth and crowded urban areas will keep pressuring governments to provide inexpensive sources of food. Production of crops such as rice, corn, cotton, soybeans, bananas, and coffee increased, while wheat and sugar declined. Beef and veal, and poultry output advanced while pork production fell. The region's total agricultural production is expected to rise only slightly in 1986 because of poor weather in Brazil and Mexico.

The region is a net exporter of agricultural products. Exports of most major commodities were up in 1985 and may rise in 1986. The exceptions were wheat and sugar. Coffee and banana exports were at or slightly below 1984 levels. All major commodity imports (wheat, corn, sugar, soybeans, soybean meal, and soybean oil) were down from 1984, except rice.

United States farm exports to the rest of the Western Hemisphere were $6.3 billion in 1985. Although this was 13 percent below the previous year, U.S. agricultural exports to the region accounted for more than 20 percent of total exports, up slightly from 1984. The United States obtains nearly half of its agricultural imports from other Western Hemisphere countries, and U.S. imports from the region rose 7 percent in 1985 to $9.4 billion. The U.S. farm trade deficit with the region nearly doubled in 1985 to $3.1 billion. In 1986 the deficit should widen, with imports increasing slightly while U.S. exports drop sharply, 15–20 percent.

In this issue, several special articles examine Western Hemisphere agriculture and U.S. agricultural trade with the region. The articles also address the growing interdependence of the United States and Mexico; multilateral trade negotiations and agricultural issues in the region; adjustments to the foreign debt burden in Latin America; changes in Brazilian policies; and the hemisphere's coffee and fertilizer situation.

CANADA

Economic Outlook Remains Positive

The Canadian economy continued to perform well in 1985, and the outlook for 1986 is generally positive. Real GNP in 1986 is forecast to grow moderately but will likely not match 1985's increase, as consumer spending may decline and income taxes rise. Unemployment dropped sharply in early 1986 to 9.8 percent, but may not improve further this year. The resource sector, including agriculture, forestry, fishing, and minerals, lags the general economy. These sectors are suffering from weak international demand, low prices, and excess capacity.

Inflation was 4 percent last year and should be about the same this year. Low commodity prices limited food price increases in 1985, and food prices could be even lower this year. Likewise, interest rates came down in 1985, helping to spark consumer spending. But because interest rates are strongly influenced by Government exchange-rate policy, 1986 forecasts for interest rates and the U.S.-Canadian exchange rate show a wide range.

Strong economic growth in 1985 contributed to a decline in the trade surplus, as imports grew faster than exports. The agricultural trade balance fell to Can$3.3 billion because poor harvests in 1984 and 1985 reduced supplies. The Canadian dollar continued to weaken against a U.S. dollar that was declining against other major currencies. As a result, Canada became even more dependent on the United States as a trade partner. Canada's trade balance could improve in 1986 if slower economic growth and favorable exchange rates reduce imports.

Two years of poor weather and low prices have weakened the Canadian agricultural sector. Net farm income fell 14 percent in 1985, although some recovery is expected for 1986 because of increased production and exports. Net income per farm has shown little growth in the 1980's, and real income per farm remains below levels of the mid-seventies. Farm bankruptcies averaged over 500 in each of the last 3 years, compared to just 125 in 1979. Farm income in 1984 and 1985 was supported by large Government payments from an income stabilization fund, and production expenses have not increased as rapidly the last few years, providing some relief from low prices.

Canada: Key economic indicators

Indicator	1983	1984	1985	Forecast 1986
Real GNP growth (%)	3.3	4.7	4.5	3.0-4.2
Change in CPI (%)	5.8	4.4	4.0	3.2-5.5
Change in food CPI (%)	3.7	5.5	3.7	2.0-4.0
Unemployment rate (%)	11.9	11.3	10.5	9.5-10.2
Prime interest rate (%)	11.2	11.3	10.0	9.0-11.8
Trade balance (Mil. Can$)	15.2	20.8	16.8	12.0-18.5
Exchange rate (Can$/$US)	1.23	1.30	1.40	1.49-1.37

Impact of U.S. Farm Bill

A major concern facing Canadian agriculture is the impact of the new U.S. farm legislation on Canadian prices and exports. Because it is a major exporter, Canada's grain and oilseed prices are closely related to U.S. prices. Thus, the Canadian Wheat Board (CWB) significantly dropped initial prices, a guaranteed minimum price to producers, for 1986/87 (August-July) to reflect the fall in U.S. loan rates. If final returns from exports and domestic sales fall below initial prices, the Government must absorb the difference.

According to a preliminary survey of planting intentions taken before initial prices were announced, wheat area will be up 2 percent, coarse grain area down 3 percent, and oilseed area down 3.5 percent. The new initial prices could result in some switching from grains to oilseeds, because soybean prices are not expected to fall as sharply as those for wheat and corn. However, it appears that wheat area will stay high and the 1986 wheat carryin will be low. With barley guaranteed prices dropping relatively more than wheat, wheat will be a more attractive alternative.

Over the longer term, the lower prices implied by the farm bill could mean more area planted to coarse grains and oilseeds and less to wheat. Lower feed prices could encourage an earlier turnaround in the Canadian cattle cycle and stimulate demand for feed grains and oilmeals. Relative prices suggest that oilseed area could increase relative to coarse grain area.

Even in the face of lower prices, Canadian grain and oilseed area is not likely to decline significantly. Much of the wheat area is suited for little else, and employment alternatives in the main agricultural areas are

Canadian Wheat Board initial prices

	1983/84	1984/85	1985/86	1986/87
	Can$/metric ton			
Wheat	170	170	160	130
Barley	95	125	110	80
Oats	100	100	100	75

limited. Various Government programs will help support farm income in the short run. The impact of low farm prices is more likely to be felt in greater financial farm stress than in changing crop areas.

Livestock Inventories Falling

The Canadian cattle cycle closely parallels that of the United States, and likewise has been in the doldrums. Weak consumer demand, poor forage and feed supplies after 2 years of drought, and competition from low priced EC beef imports have besieged cattle producers. As a result, inventories have been declining since 1981 and female slaughter has been high. Cattle slaughter and beef production are forecast to fall in 1986, but inventories will still decline.

It is unclear when a turnaround in the Canadian cattle cycle will occur. Lower feed prices and interest rates, and smaller supplies of feeder cattle because of reduced calf crops, could end the liquidation phase in 1987. If so, the rest of the decade could see reduced beef supplies and higher prices. Canadian beef exports to the United States, which have been high the past few years, would likely decline.

Canada's pork sector was strongly influenced in 1985 by the United States' July imposition of a $4.39/cwt countervailing duty on slaughter hog imports from Canada. The Canadian pork industry adjusted by reducing hog exports while increasing slaughter and pork exports to the United States and Japan. Higher slaughter resulted in a drop in hog inventories on January 1, 1986--the first decline in 5 years. Canada's larger pork exports to the United States in 1985 more than offset the decrease in live hog exports. For 1986, Canada's pork exports are forecast to increase significantly, but live exports may fall by half.

The Canadian poultry sector continues to grow strongly. Favorable prices and buoyant consumer demand have spurred large production increases. Production, which is regulated by quotas, can be supplemented by imports only when production is deemed insufficient to meet demand. This situation has prevailed the past several years, benefiting U.S. exports. Canadian per capita poultry consumption has been growing, while that of red meats has been declining. This situation is likely to continue for the next several years.

Export Prospects Improve

Despite bad weather during much of 1985, crop yields were much improved over the previous drought-stricken year. Exportable supplies increased, and 1985/86 exports of major grains and oilseeds are forecast to be slightly larger than last year. Although the quality of the 1985 wheat crop was poor, over half of wheat exports this year have been top grade because stocks were available. Increases in wheat, barley, and flaxseed exports will offset declines in rapeseed and other coarse grains.

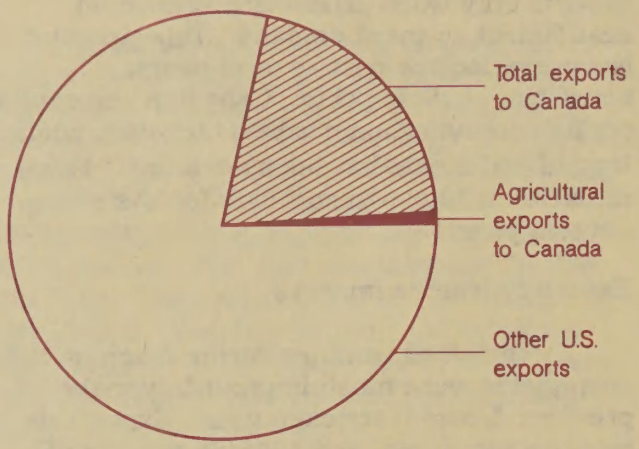
The CWB continues to rely on long-term agreements for a large share of its grain exports. New agreements were recently signed with the USSR, Brazil, Egypt, and Iraq. Other major customers include China, Japan, East Germany, Cuba, and the United Kingdom.

Export volumes in 1986/87 will depend on the fall harvest, especially for wheat and barley, because carryin stocks will be low. Rapeseed and flaxseed stocks will be large, so assuming a normal harvest, export supplies should be adequate to meet demand. But prices will be low, and value could fall.

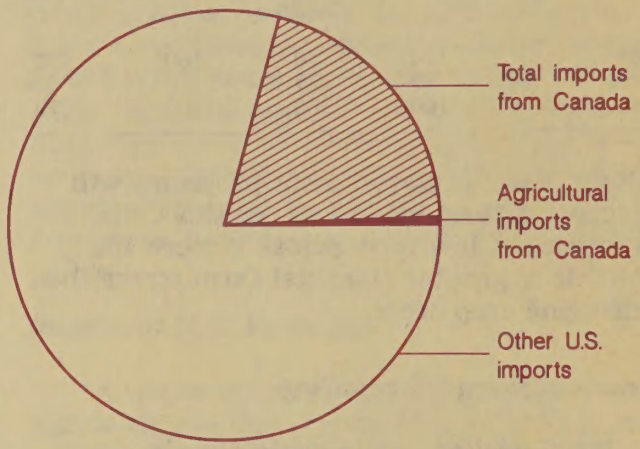
U.S.-Canadian Trade Relations

U.S. and Canadian trade relations appear to be moving in two different directions. On the one hand, U.S. complaints about Canadian trade practices continue to mount. In addition to the countervailing duty on live hog imports, various U.S. producer groups have complained that the Canadian forestry and fishing industries are being subsidized. The U.S. wine industry has complained about various provincial non-tariff barriers that effectively limit exports to Canada. Other complaints have been made about subsidized grain and rapeseed product exports entering the

Canada's Share of U.S. Exports



Canada's Share of U.S. Imports



1983–85 average.

northwestern United States under the Western Grain Transportation Act, and Canadian fresh vegetables entering the U.S. Great Lakes region. A Canadian corn producer group has filed a countervailing duty petition claiming U.S. corn exports to Canada are subsidized as a result of the new U.S. farm act.

On the other hand, the United States and Canada have begun negotiations on establishing freer trade, a move that runs counter to growing world protectionism and escalating trade disputes.

The extent of negotiations is unknown, but they will no doubt be lengthy and complex, especially if agriculture is included, because of the many policies and programs involved. Agricultural products account for only a small share of U.S. trade with Canada, yet they represent a large share of trade disputes. Although Canada is much more dependent on U.S.–Canadian trade --about three-fourths of Canada's trade is with the United States--Canada had a $14 billion trade surplus with the United States in 1985. However, if both countries feel they have something to gain from freer trade, negotiations may prove fruitful. *[Carol Goodloe (202) 786-1662]*

MEXICO

Slow Growth Expected to Continue

The Mexican economy experienced a wrenching transition from a high growth era in the 1970's to a deep financial crisis in the 1980's. Any return to the growth of the seventies has been postponed by the sharp drop in world prices of petroleum, a commodity on which the Mexican economy is heavily dependent. Although the economy has shown growth over the past 2 years (app. table 1), there have been serious imbalances in the form of high inflation, unemployment, and interest rates; large domestic and external debts; falling real wages; and a net outflow of capital assets and exchange rate controls. These problems were exacerbated in the early eighties because of wide swings in world prices for export commodities, excessive public spending to keep domestic prices low, and heavy short-term foreign borrowing at high interest rates.

Agricultural Production Climbs

One of the few bright spots in 1985 was agricultural production, which has shown steady growth since the crop failures of the late seventies and early eighties. Increased output reduced imports of basic food and feed commodities during 1985/86, especially wheat, corn, rice, and sorghum. Wheat imports are for feed use only, as in the past 2 years, and are expected to substitute for sorghum in poultry feeding. Sorghum imports will also be down because of lower stock levels. Corn output was up slightly due to timely rains, but imports were increased to build up stocks. Record soybean production should help keep imports of oilseeds and products to a minimum during 1986, especially if economic growth is sluggish. Higher grain imports are expected

for 1986/87 because of drought-related problems in the northeast.

Most agricultural imports are still controlled with import licenses. Certain livestock and horticultural products have been exempted from licenses, but tariffs have been established or increased as a replacement for volume controls. Although the Government has indicated its commitment to reducing trade barriers, most agricultural purchases remain under import control, regardless if imported by CONASUPO (Mexico's food marketing agency) or by the private sector. The Mexican Government's policy is to provide its people with basic food staples, whether domestically or foreign-produced. This has been reflected in continued large imports of grains, oilseeds, and dairy products.

Mexican Farm Exports Stall

By contrast, production of export commodities has been lackluster over the past few years. Mexican exports have suffered from several problems, including depressed world prices, increasing real production costs, declining investments, Government controls and inefficiencies, and, of course, weather-related problems.

Most agricultural exports are required to obtain Government export permits, but these are usually granted pro forma, except when domestic supplies are threatened. Export taxes are levied on coffee, but only if prices fall below a specified minimum. Live cattle and coffee exports are subject to quota restrictions -- cattle quotas are established by states and coffee quotas are largely determined by domestic stock levels. Export earnings are required to be converted at the official exchange rate, which has tended to be lower than the free market rate.

Low world prices have most affected Mexican coffee and cotton production and export earnings. World cotton prices continue to be depressed while coffee prices are up following the Brazilian drought and shortfall in 1985. Although coffee is sold under a support price, domestic retail prices have been fixed at low ceiling levels. Export sales are subject to a minimum price if sold to International Coffee Organization members. The Government regulates cotton exports and prices by setting export quotas to assure sufficient domestic supplies. Cattle exports (mostly feeder cattle) are also subject to volume controls, as when the Government restricted exports in 1985 to moderate domestic beef prices.

Producer support prices have improved over the past few years, primarily affecting sugar production and trade. Once an important sugar exporter, Mexico became a large net importer in 1980 as a result of rapidly expanding per capita consumption (one of the highest in the world). Mexico regained a net export position in 1985 and export prospects are even better for 1986 (over 200,000 mt).

Fresh winter vegetable exports have been affected by weather damage, reduced foreign and domestic investment, and restricted Government irrigation allocations. Higher fuel costs have also affected this category because of the long shipping distances to the U.S. border. Transportation costs usually determine how competitive Mexican vegetables will be in the U.S. market. Reduced Government expenditures after the 1982 financial crisis have also caused a shortage of investment credit. This has been a particular problem for winter vegetable and sugarcane production.

Consequences For The Economy

Because of stagnant production, falling prices, and Government regulations, the value of agricultural exports declined from an average $1.9 billion in the late seventies (1978-80) to $1.5 billion in the early eighties (1981-83). Production and export value began to recover in 1984 and prospects are good for 1986. Although declining after a peak of $3.4 billion in 1981, agricultural imports still cost $2 billion in foreign exchange each year.

Mexico's agricultural trade deficit (averaging almost $500 million over the past 3 years) continues to be a drag on its economic recovery and foreign debt situation. With a loss in petroleum revenue of $6 to $8 billion in 1986, the continued loss of foreign exchange from agricultural trade is putting pressure on the Government to liberalize its trade regime. This has occurred to some extent, but so far relatively few agricultural imports have been affected and almost no exports have been

freed from restrictions. *[Myles Mielke (202) 786-1662]*

CENTRAL AMERICA

The Struggle for Economic Recovery Continues.

The economic recovery of the Central American region, which began in 1984 when aggregate Gross Domestic Product (GDP) rose 2 percent, continued during 1985, but at a much slower pace. Preliminary 1985 estimates show only a 0.5-percent growth in GDP and a decline of 2 percent in per capita terms. Although per capita GDP fell in most Central American countries, many of these declines would have been greater but for successful efforts to encourage export diversification, especially in Costa Rica. Significant amounts of Economic Support Fund (ESF) assistance were also a factor. This was especially true in El Salvador, where unsettled political and security problems continue to be a major obstacle to economic recovery.

The performance of the Central American economies in 1985 was also hampered by a slower world economy, depressed export prices, and reduced credit access due to arrears in debt service payments. Economic recovery, however, continues to be held back principally by political and security conditions and by the need for additional policy reforms. But by now it is clear that the economic crisis in Central America will not be resolved with the recovery of the world economy, nor through short-term financial adjustments toward balance-of-payments equilibrium.

The region's economic problems continued to create serious social and political strains, as tolerance for austerity measures wore thin. Although the Central American countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) are different in many respects, they share at least two common characteristics: growing public impatience with declining living standards, and the political difficulties in establishing economic recovery.

Several countries took major steps to stabilize their debts and economies by reducing public-sector budget deficits and undertaking major exchange rate reforms. The Governments of Panama and Guatemala attempted to introduce major stabilization programs in 1985, but these were not accepted. After less than a year in office, Panama's president Nicolas Ardito Barletta resigned in September 1985, because of the population's discontent with the economic situation and a lack of support, particularly from the influential military. The failure of these governments to implement badly-needed economic programs has only aggravated the structural problems that must be resolved in order to achieve a strong, broad-based economic recovery.

In Guatemala, however, the climate for reform has improved significantly as a result of the civilian Government's election in December 1985. In November 1985, Honduras elected a new president that represents a different faction of the party which held office during 1982-86. At the end of 1985 the president of El Salvador sought the support of key private sector groups for a comprehensive economic program, which was introduced in January 1986. If fully implemented it will supposedly help move the economy toward stabilization in 1986.

External debt in Central America remained extremely heavy in 1985, despite debt rescheduling, lower interest rates, and lower oil prices. Increasing coffee prices late in 1985 provided some temporary relief. But the larger public and private investment necessary to stimulate economic growth has not materialized. Until this happens the region's economy in 1986 is not likely to be much better than in 1985, except to the extent made possible by higher coffee prices.

Agriculture: Backbone of the Economy

Agriculture continues to dominate Central America, where 6 in 10 people live in rural areas, nearly a quarter of GDP comes directly from agriculture, and farm products make up almost 70 percent of export value. (table 1).

The region has a dualistic agricultural economy, in which exportable crops and livestock products are more valuable and intensively produced than crops and livestock for domestic consumption.

Central America: Population, Gross Domestic Product, and Trade

Country	Population		Gross Domestic Product		Trade
	1984 (mil)	Perecnt rural	Per capita 1984 (US $)	Percent agric.	Ag. exports as % of total 1983
Belize	0.1	--	1,080 2/	--	--
Costa Rica	2.5	52	1,565	20.4	62.7
El Salvador	4.8	59	708	25.6	71.9
Guatemala	7.7	68	1,194	25.2	62.4
Honduras	4.2	61	663	30.9	64.1
Nicaragua	3.2	43	874	24.9	79.3
Panama	2.1	44	2,022	10.0	54.6
Total	24.6	60 1/	1,000 1/	23.0 1/	69.0 1/

-- not available 1/ weighted averages 2/ For 1981

Sources: Inter-American Development Bank, Economic and Social Progress in Latin America America: 1985 Report FAO Trade Yearbook, 1984.

The region's agricultural output declined 2 percent in 1985, including a 10-percent decline in Nicaragua and a 7-percent drop in Costa Rica. El Salvador is the only country that showed a considerable increase in total output, mainly because of good weather and increased acreage planted to rice and other basic grains. Over the past 10 years Central American agricultural production has increased by 0.7 percent annually. However, on a per capita basis it has decreased nearly 2 percent a year.

Guatemala has the region's largest agricultural sector, accounting for approximately 26 percent of the entire Central American economy. The country's economy, however, has declined in recent years. After an increase of less than 1 percent in 1984, the economy showed a decline of 1.1 percent in 1985. The forecast for 1986 is another year of declining growth and further reductions in the standard of living.

Although Guatemala's aggregate 1985 agricultural production is estimated to be 2 percent higher than in 1984, it will still be 7 percent below the 1976-85 trend. Unfavorable weather for all major crops and decreases in farm prices contributed to lower yields. Cotton, cottonseed, and coffee output were 43, 61, and 9 percent below the trend, respectively.

El Salvador's agricultural sector accounted for some 23 percent of the region's output, with the crop and livestock sectors increasing by 5.1 and 4.5 percent respectively. In spite of dry weather, rice production increased almost 18 percent in 1985 (24 percent above trend) because of increased area. As a result, El Salvador's index of agricultural production showed a 5-percent increase from 1984.

Costa Rica, Nicaragua, Honduras, and Panama produced 20,15,10, and 7 percent, respectively, of the region's output in value terms.

All countries in the region have given increased attention to export promotion and improving the climate for private investment, especially taking advantage of the opportunities offered by the Caribbean Basin Initiative (CBI). This is beginning to yield positive results in Costa Rica and Belize, but not yet in the other countries. Progress has been slower then anticipated because of the same factors that have affected stabilization efforts: the continued strife in the region, and the difficulties in implementing policy reforms to stimulate agricultural production.

The outlook for the region's 1986 farm production is very uncertain. The political controversies are not expected to improve soon, since the Contadora Group's peace negotiations have so far been unsuccessful.

Costa Rica, Guatemala, and Honduras have newly elected governments, and it is not

clear how they are going to approach their agricultural sector problems. All countries in the region will continue to feel the adverse effects of currency devaluations.

Agricultural Imports May Decline

The United States continues to be the principal supplier for Central American imports of wheat, corn, soybean meal, oil, and tallow. The 1984 U.S. fiscal export record of $396 million, however, dropped 7 percent in 1985 because of a combination of lower volumes and prices for U.S. grains, and smaller sales to all countries except Guatemala and Honduras.

Most U.S. exports to this region are on commercial trade terms, but the percentage varies from year to year and from country to country. In fiscal 1985, more than 50 percent of U.S. agricultural exports to El Salvador were under long-term credit, PL-480, or other concessional programs, whereas 100 percent of U.S. exports to Panama and Belize were commercial. Although total U.S. agricultural exports to Guatemala and Honduras were 6 and 2 percent higher, respectively, than fiscal 1985, commercial sales amounted to only 70 percent.

The value of U.S. agricultural exports is expected to fall further in fiscal 1986, primarily because of lower grain prices and the depressed political and economic conditions of all Central American countries. The Central American market, however, will have growth potential when strong economic performance returns to the region. There is a great deal of latent demand for improved diets. *[Nydia Suarez (202) 786-1662]*

THE CARIBBEAN

Most Caribbean economies grew little in 1985. Real GDP is estimated to be up about 2 percent, while per capita real income declined slightly. Tourism continued to recover from the 1982-84 recesssion and agriculture performed fairly well. A moderate-to-severe drought struck the Greater Antilles during April-June 1985 and Hurricane Kate raked Cuba in November. Caribbean mineral, construction, and manufacturing industries were generally depressed throughout the year, but began to show some signs of recovery late in 1985.

Economic growth appeared to be stronger in Cuba and a number of smaller Eastern Caribbean economies than elsewhere in the region. The Dominican Republic experienced its worst financial crisis in two decades, and Jamaica continued its 5-year struggle to recover from the stagnation of the 1970's. Haiti's economy remained depressed as political tensions and rigid Government controls discouraged investment and development. Trinidad and Tobago experienced a mild recession as petroleum prices fell. Banana production in the Windward Islands returned to normal for the first time since the hurricanes of 1979-80.

Economic Outlook Improves Slightly

The economic outlook for 1986 is generally better than for 1984 and 1985, except in Cuba, Guyana, and Trinidad. Trinidad and Tobago will continue to suffer from the collapse of the world oil market, as the boom years are now history. The Cuban economy, with its high dependence on sugar and the forecast of a very poor sugar harvest, is expected to decline in 1986. Guyana will remain depressed because world markets for its three primary exports---bauxite, sugar, and rice---remain depressed, and Guyana has few reserves to stage a recovery in the next year or two.

Countries relying on traditional agricultural exports should do better in 1986, if they can increase exports, because prices for sugar, coffee, and bananas strengthened early in the year. Production of non-traditional crops for export is gaining momentum under the Caribbean Basin Initiative (CBI). Tourism will be strong as increasing numbers of world travelers are expected to reschedule vacations in places which have minimal terrorist risks, such as the Caribbean. With a little luck, Jamaica, Haiti, and the Dominican Republic will show some growth. Barbados, St. Lucia, and many of the other small Caribbean states should also have a good year.

Agricultural Diversification Gains Momentum

The long-term demise of agriculture as the number-one industry in the Caribbean

continued during 1985, but structural changes in several agricultural sectors gained momentum. Sugar is still "king" in the Dominican Republic, Cuba, Barbados, and St. Kitts, but the search for alternatives to sugar and other traditional export crops is intensifying. President Reagan's CBI has helped the process, but the number of success stories is still limited. Nevertheless most countries in the region are now promoting policies of agricultural diversification for export, rather than the import substitution policies of a few years ago. This is also true in industry. Caribbean executives are increasingly becoming aware of new market opportunities in European and Pacific Rim countries, as well as in the Western Hemisphere.

Agricultural Output Sustained in 1985

Caribbean agricultural output in 1985 came close to that of 1984. Ideal cane-cutting weather late in the spring facilitated an extension of the harvest and the achievement of production goals in all Caribbean sugar-producing countries except the Dominican Republic. Drought and lack of export markets helped sustain the Dominican Government's recent deemphasis of sugar.

Indices of total agricultural output were also sustained by continuing increases in Cuban citrus, Eastern Caribbean bananas, and generally good crops throughout the region, except where irrigation water was not available to compensate for the spring drought.

Farmers in the Eastern Caribbean had their best year since the devastating hurricanes of 1979 and 1980. Renewed interest in agricultural production and diversification in Jamaica, Haiti, and the Dominican Republic, and other traditional sugar-exporting countries, also helped sustain production in 1985. The drought reduced yields of corn, beans, rice, and other food crops in the Greater Antilles, but this did not seriously affect the overall production.

Agricultural Output Will Fall in 1986

Although an official estimate of Caribbean agricultural production for 1986 will not be prepared until the end of the hurricane season in October or November, a decline of at least 5 to 10 percent is currently expected because of the sugar situation in Cuba and the Dominican Republic. The index of agricultural production in Cuba and the Caribbean is still so heavily dominated by sugar that a 10- to 11-million-ton reduction in the cane harvest (equivalent to about 1 million tons of raw sugar) will generate a 5-point decline in the indices of Caribbean agriculture and food production. Since Cuban and Dominican sugar production are both expected to decline 10 to 20 percent in 1986, this alone will reduce the indices of production by at least 5 to 10 points.

Consequently, Caribbean agriculture may appear to have its worst year of the decade, even if all other crops are good in 1986. However, diversification is gaining momentum, and the downward trend in the production of traditional export crops such as coffee, cocoa, bananas, beef, and citrus appears to have been reversed.

The outlook for the remainder of the decade, therefore, is more positive than it has been in a number of years. Furthermore, the Governments of Jamaica, Haiti, and the Dominican Republic appear to be implementing new production, consumption, and trade policies, which will strengthen domestic production. The net effect of many of these policy changes, however, may not become visible until 1988 or 1989. Production, therefore, is expected to be down in 1986, and perhaps again in 1987, before it begins to show any significant upturn. Thus, the demand for agricultural imports is expected to remain strong for the rest of the decade, particularly if world markets for Caribbean exports improve.

Trade Flows Remain Stable

United States-Caribbean trade flows, which grew steadily during the 1970's and stabilized early in the 1980's, have not changed appreciably since 1981. Export markets for Caribbean products have been depressed, limiting Caribbean export earnings and consumer incomes. Thus Caribbean countries have not had the purchasing power to increase imports significantly since the beginning of this decade. Year-to-year changes in the major Caribbean agricultural

Major agricultural imports and exports of the Caribbean 1/

Commodity	1982	1983	1984	1985 2/	1986 3/
	1,000 tons				
Imports					
Wheat 4/	1,930	1,945	2,015	2,110	2,160
Cuba	1,250	1,200	1,250	1,300	1,300
Other	680	745	765	810	860
Corn	904	1,052	1,083	1,050	1,090
Cuba	367	402	423	450	480
Other	537	650	660	600	610
Rice 5/	338	361	356	395	450
Cuba	201	207	210	220	220
Other	137	154	146	175	230
Exports					
Sugar 6/	9,163	8,293	8,437	8,755	7,250
Cuba	7,734	6,792	7,016	7,400	6,000
Dom. Rep.	850	956	885	800	700
Other	579	545	536	555	550
Bananas	155	160	170	180	200
Coffee 7/	66	73	66	60	70
Rice 8/	150	169	180	175	180
Citrus 9/	325	385	380	360	400

1/ Except Puerto Rico, the U.S. Virgin Islands, and the French West Indies. 2/ Estimated. 3/ Projected. 4/ Including flour. 5/ Milled rice. 6/ ISO Yearbook. 7/ Primarily Haiti and the Dominican Republic. 8/ Guyana and Suriname. 9/ Primarily Cuba. Revised April 21, 1986

imports and exports are primarily correlated with changes in production, prices, and the availability of credit.

President Reagan's CBI, however, may change this somewhat during the next 10 years, since traditional Caribbean agricultural exports have tended to increase slightly since 1981. Bananas, citrus, and a variety of fruits and vegtables have shown the most growth, while sugar has declined.

Wheat, corn, and oilseed products are the large-volume items imported by the Caribbean countries. Caribbean agricultural exports, however, are heavily weighted by sales of sugar, bananas, coffee, and to a lesser degree beef, rice, citrus, cocoa, and tobacco. Fresh fruit and vegetable exports still represent only a small portion of Caribbean exports, although many Americans seem to think otherwise.

The long-term demand for U.S. products in the Caribbean is based on three key elements: Caribbean population, income, and

U.S. agricultural trade with the Caribbean

Item	1982	1983	1984	1985	1986 1/
	Million dollars				
U.S. exports to Caribbean	815	784	844	768	775
U.S. imports from Caribbean	426	470	576	467	500

1/ Estimated.

productive capacity. Stability in the Caribbean market for U.S. agricultural products is also strengthened by the fact that the Caribbean cannot produce the temperate-zone grain, oilseed, and fruit products it has become accustomed to using daily.

The U.S. share of the Caribbean market has remained relatively constant for a number of years. The various grant, aid, and loan programs offered the Caribbean countries by the U.S. Government over the last 20 years have helped U.S. agriculture maintain a steady share of the Caribbean market. The outlook for 1986 and 1987 suggests few changes, in spite of all the rhetoric published on the subject.

The total dollar value of U.S. agricultural trade with the Caribbean has also remained relatively constant over the past 5 years, despite droughts, floods, and other shocks. U.S. agricultural exports to the region are expected to remain between $750 and $800 million in 1986 and 1987, while U.S. imports are expected to equal or exceed $500 million in both years.

U.S. export sales to the Caribbean could drop to $750 million in 1986, if Caribbean countries postpone some purchases until after September 1, when U.S. grains and oilseeds are expected to be offered at the lowest prices in years. Most of this decline in the dollar volume reflects a price effect, because the recent quantities shipped are expected to increase slightly over the next 2 to 4 years. *[Richard Brown (202) 786-1662]*

THE CUBAN SUGAR STORY

Abnormal weather is a common occurrence in the Caribbean. Reports of unusual weather in some corner of the Caribbean are expected every year or two. Thus a year seldom passes without one or more crops, in one or more countries, being damaged by wind, rain, and/or drought. But these unseasonal occurrences seldom have much impact on aggregate agricultural output, unless a major crop such as Cuban sugar is seriously affected.

Traditional export crops such as cane sugar, tree crops, and forages have remained in the Caribbean much longer than most economists might expect, simply because these crops are more resistant to the extremes of weather than known alternatives. Row crops, for example, are much more vulnerable to bad weather than sugar cane, citrus, coffee, and livestock. If a crop is one that has multiple harvests during any 12-month period, the effect of one unseasonal occurrence, in a given year, is frequently masked by a good harvest either just before it or just after it. However, 1985 was one of those years when unseasonal weather had a measurable impact on agricultural output, particularly in Cuba and the Dominican Republic. Cuba, the "sugar king" of the Caribbean, was more severely damaged by the unusually long and dry spring of 1985 (April through June), and by the torrential rains and winds from Hurricane Kate in November, than any other country in the basin.

The sugar story unfolding in Cuba is potentially a text-book case of weather-related irony. The drought conditions that developed over Cuba in the spring of 1985, and persisted until July, facilitated an extension of the cane harvest by several weeks and the cutting of cane normally left for the beginning of the next harvest. Furthermore, the drought delayed the planting and growth of new cane by several weeks. This allowed Cuban mills to produce an almost record crop of about 8.1 million tons of raw sugar equivalent in 1985. It also reduced the potential for the 1986 crop by at least 10-15 percent, even before the November storm reportedly damaged the crop even more. This same storm, however, was desperately needed to replenish irrigation supplies for other crops, not only in Cuba, but also in Haiti, Jamaica, and the Dominican Republic, which were on the periphery of the storm.

This severe weather in Cuba has damaged not only the 1986 sugar crop, but also the potential for the 1987 crop. The long-term impact, however, depends to a considerable degree on how quickly and efficiently the Cubans can reestablish cane plantings on the island, and whether the weather remains favorable during calendar 1986 and 1987. Cuban sugar production in 1986, therefore, is expected to fall at least 1 to 2 million tons below the 1985 crop. *[Richard Brown (202) 786-1662]*

ARGENTINA

Argentina's agricultural production fell 3 percent in 1985 from the previous year's record. A drop in wheat production accounted for most of the decline. Grain area and production have declined since the 1983/84 record, while oilseed output has been increasing since 1982/83. This year's (1986/87) 1/ crop production would have been comparable to last year, but flooding reduced the wheat harvest from an expected 13 million tons to only 8.5 million. Argentina's oilseed crush continues to expand rapidly, resulting in increased oilseed meal and vegetable oil exports, and stabilizing soybean as bean exports.

Poor Year for Agriculture, Future Uncertain

Farm incomes in Argentina will again fall in 1986 in response to high export taxes and reduced export volumes. In addition, the agricultural policies and programs of

1/ Including wheat harvested in December, coarse grain harvested in March, & soybeans harvested in April.

Grain and oilseed summary

	1984/85	1985/86 2/	1986/87 3/
		1,000	
Hectares 1/			
Grain 5/	12,295	11,237	10,150
Oilseed 6/	5,669	6,269	6,650
Total	17,964	17,506	16,800
Production(tons)			
Grain 5/	29,200	30,600	26,000
Oilseed 6/	9,860	10,400	11,450
Total	39,060	41,000	37,450
Oilseeds(tons)			
Crush 6/	6,316	6,645	7,400
Meal prod.6/	4,259	4,165	4,795
Oil prod.6/	1,611	1,851	2,030
Exports(tons)			
Grain 5/	17,382	19,827	15,500
Oilseed 6/	3,283	3,339	3,505
Oilseed meal 6/	3,948	3,840	4,445
Vegetable oil 6/	1,262	1,475	1,660
Total	25,875	28,481	25,110
Ending stocks(tons)			
Grain 5/	1,683	1,556	1,456
Oilseed 6/	475	488	509
Oilseed meal 6/	198	213	233
Vegetable oil 6/	98	123	128
Total	2,454	2,380	2,326

1/ Combined local marketing years (MY) for wheat and flaxseed, harvested in December (t-1), and corn, sorghum, sunflowerseeds, and soybeans which are harvested in March/April (t); where t = year. This is to reflect the Argentine crop cycle which bridges 2 marketing years. 2/ Preliminary. 3/ Estimate. 4/ Forecast. 5/ Wheat, corn, and sorghum only. 6/ Soybean, sunflowerseed, and flaxseed (linseed) only.

Argentina's principal competitors have contributed to lower world prices and farm prices in Argentina have continued to fall.

Several Argentine policies are expected to influence future developments in the agricultural sector:

- Government policies are designed to control money supply and reduce inflation. This will help the agricultural sector since production decisions require at least 7 months for grain production, and 1 to 3 years for livestock operations.

- The World Bank recently approved a $US 350 million agricultural-sector loan to Argentina, in order to help the Government of Argentina (GOA) make the transition from agricultural export taxes to a land-based tax system. During the transition period, lower export taxes will mitigate the export-domestic price transmission, dampening the supply response to lower world prices. Furthermore, export taxes are a disincentive to increases in production, whereas land taxes may spur crop production by forcing idle lands and pastures into cultivation, and by increasing the use of farm inputs.

- Producer prices are expected to remain low, since export taxes and exchange rates will probably not be adjusted to offset falling world prices.

Crop Production and Exports Decline

Production of principal grains and oilseeds during Argentina's 1984/85 planting year was a record 41 million tons, and Argentina's exports for 1985 rose to $US 4.2 billion.

This year's crop is an estimated 37.5 million tons, off nearly 9 percent. As a result, exports are forecast to fall 23 percent to $US 3.2 billion. Lower farm income is attributable to poor November weather which damaged wheat, and to falling international and domestic prices.

This year's wheat crop was an estimated 8.5 million tons, reduced from expectations of 13 million, based on a planted area of 5.7 million hectares. Wheat output declined because of flooding late in the growing season,

Quantity and value of Argentine exports

Commodity	Quantity		Value	
	1985	1986	1985	1986
	1,000 tons		Million dollars	
Wheat	9,618	3,950	1,135	415
Corn	7,041	9,028	760	867
Sorghum	3,305	1,017	303	87
Soybean	2,987	3,020	597	598
Sunflower	379	--	--	--
Flaxseed	--	--	--	--
Total	23,156	17,015	2,848	1,966
Soybean meal	2,467	3,189	322	542
Sunflower meal	1,184	825	56	65
Linseed meal	347	280	37	34
Total meals	3,998	4,294	415	641
Soybean oil	554	628	298	238
Sunflower oil	911	835	574	334
Linseed oil	196	138	114	65
Total oils	1,661	1,601	986	638
Grand total	28,989	22,910	4,212	3,245

Source: Rural Society of Argentina, Update on the agricultural sector, February 1986.

which caused a 7-percent abandonment of acreage and contributed to lower yields.

The crop shortfall caused the national grain board of Argentina (JNG) to transfer part of its commitments to the export sector (675,000 tons to Brazil and 400,000 tons to Iran). The JNG also authorized the private sector to cancel 350,000 tons of its commitments. However, exporters had no difficulty purchasing 3.3 million tons of wheat for January and February commitments.

Buenos Aires f.o.b. prices fell from $US 114 per ton in January to $99 a ton in March. However, with expected reductions in wheat availability after March, export prices and domestic prices should strengthen.

Domestic prices are currently 24 percent below historical levels, and breakeven yields have risen to near historical levels, 2.67 tons per hectare. This level was not made this year, even by the most efficient producers. The national average yield was 1.61 tons per harvested hectare, compared to a record 2.22 last year.

Due to this year's losses by wheat producers, current prices and area planted to wheat in July 1986 are expected to be down.

Corn production in 1986 was up because of expanded plantings and high yields. Area reductions due to excessive rainfall were not substantial. The estimated area planted for April harvest is 3.8 million hectares, 12 percent over last year. The increase occurred mostly in the marginal regions (Cordoba, 9.8 percent, and La Pampa, 7.1 percent). Rainfall has favored the corn crop and yields are expected to be up, particularly in the marginal regions. Yields are estimated at 3.71 tons per harvested hectare and production at 13 million tons.

Domestic corn prices have fallen to $A 5.20 per 100 kilos ($US 65 a ton) because of lower world prices and expectations of a good harvest. Prices are 20 percent below the most recent 5-year average, and breakeven yields are 4.14 tons per hectare.

Sorghum area and production are declining because of reduced profitability, and many sorghum areas are being switched to sunflowerseed production. The area planted to sorghum is 1.35 million hectares, a 33-percent decline from last year. Because of good weather, yields are expected to be high and production is forecast to reach 4.5 million tons. This will provide 2 million tons for export, down from 3.2 million a year earlier.

The official sorghum price of $A 4.51 per 100 kilos is 28 percent below historical levels, and futures prices are even lower. The breakeven yields are calculated at 5.37 tons per hectare, and only the most efficient producers with high yields will make a profit this year.

The area planted to sunflowerseed rose 17 percent to a record 2.75 million hectares. However, lower yields will partially offset the expanded area. Yields are not expected to reach last year's 1.45 tons per harvested hectare, because of late plantings, incorporation of marginal lands, and poor weather.

With the onset of sunflowerseed harvesting and marketing, domestic prices fell rapidly from $A 13.2 per 100 kilos in December to $A 8.5 in February. Buenos Aires f.o.b. prices for sunflowerseed oil also fell sharply from $US 493 per ton in December to $380 in February.

With prices currently 60 percent below the average for the last 5 years, breakeven yields in western Buenos Aires province are about 1.6 tons per hectare. This year's low yields will virtually eliminate the profitability of sunflowerseed this year. Domestic and f.o.b. prices did strengthen between March and April because many producers faced financial problems and sold most of their crop early. Also, production was probably lower than early-season estimates.

The area planted to soybeans this year is up slightly from last year's 3.3 million hectares. However, the regional distribution is different. Area increased in the most productive regions (Buenos Aires, 3 percent, and Sante Fe, 2.4 percent) and decreased in marginal regions (Cordoba, 10 percent). Moreover, early-crop soybeans continue to account for a larger share of total area compared to late-crop or double-cropped soybeans, which usually have lower yields. The weather was favorable and the crop was harvested in April. Preliminary estimates

Crop prices, f.o.b. Buenos Aires

Year	Wheat	Corn	Sorghum	Soybeans	Sunflowerseed oil
			$US ton		
1980	206.1	160.5	149.6	256.3	561.5
1981	190.1	136.1	124.2	257.0	586.9
1982	163.0	109.3	96.8	223.2	472.6
1983	138.4	133.8	114.6	255.1	528.2
1984	134.9	137.8	106.9	253.1	743.0
1985 1/	115.5	108.5	92.5	203.4	630.6
1985 2/	105.5	108.6	79.6	197.9	490.8
1986 3/	99.0	--	--	--	380.0
1986 4/	--	88.5	80.0	--	--
1986 5/	--	--	--	194.0	--

-- not available
1/ Jan/Jun 2/ Jul/Dec 3/ February
4/ April/May/June--Terminal market
5/ Jun/July--Terminal market

indicate that yields could exceed last year's high 2-tons-per-hectare average.

Buenos Aires f.o.b. prices for soybean oil have followed the downward trend of all vegetable oils, decreasing from $448 per ton in December to $383 a ton in February. World soybean meal prices are strengthening as a result of the below-normal soybean crop in Brazil. Buenos Aires f.o.b. prices rose from $164 per ton in December to $171 in March. These prices are relatively good, considering the May 1985 price was only $118, and world prices for other agricultural commodities have declined. Soybean prices have remained relatively stable during the period at slightly below $200. *[Jorge Hazera (202) 786-1662]*

BRAZIL

Drought Disrupts 1986 Production

Extended drought during the major planting season has hurt southern Brazil's agricultural production for 1986. Several export crops were damaged, and imports will be needed to maintain consumption. However, foreign exchange earnings from agriculture will likely increase because of higher coffee prices.

In Sao Paulo and parts of adjacent states, the normal dry season (June-August) extended through September, October, and in some places November. October and November are usually the rainiest months of the year, and annual crops are planted during this time. This region includes the most productive agricultural areas in Brazil. Planting of cotton, soybeans, corn, and dry beans was severely delayed. Coffee was caught in drought through most of its flowering period.

The only southern state unaffected by early drought was Rio Grande do Sul. However, planting is later there and drought hit just after planting began. October, November, December, and January were very dry.

Production Effects

Coffee in Sao Paulo, Parana, and Minas Gerias was caught by drought during the major flowering period. These areas produce mostly high quality coffee, and good quality stocks were not high, so shortages of good Brazilian coffee are severe. Total coffee production is expected to fall from 33 million bags to 16-17 million bags.

Soybean planting was delayed, and many early-planted soybeans had to be reseeded. Never has such a large portion of the soybean crop been planted so late, so it is difficult to assess production, but the 12.5-million-metric-ton (mmt) projection is well below last year's crop, which was over 18 mmt.

Corn is grown all over Brazil, and increased production in regions not hit by drought will offset some of the losses, estimated at 3-4 mmt.

Cotton area was expected to fall, and drought encouraged the trend. Production is expected to fall from 4.2 million bales to 2.8 million, but cotton is relatively drought resistant, and most of the decline would have occurred without drought.

Edible dry beans occupy the third-largest planted area in Brazil. Production is divided into two growing seasons. The first crop was severely damaged by the drought, but much of the losses will be made up by increased production outside the drought areas and by a larger second crop.

Rice production was only modestly hurt. Irrigated rice was not damaged and area

planted to upland rice has been declining in the drought-stricken regions.

Wheat production was aided by the dryness. As a winter crop, wheat was supposed to be drying during the drought, so smuts and rusts were reduced. Record production resulted.

Economic Reactions to the Drought

Export revenues will be enhanced by the drought. This is caused by Brazil's dominant position in the world coffee market. When Brazilian production fell, consumer prices increased from $US 5.58 per kilo in January 1985 to $10.61 a year later. Since Brazil has carryover stocks sufficient to keep exports from falling too dramatically, export revenues from coffee may increase almost $2 billion. This more than offsets losses in other export crops, such as soybeans, and can pay for imports to cover commodities in short supply.

Food demand has been strong because real incomes were growing rapidly (12 percent in 1985). When it was revealed that drought might severely restrict supply, food price increases began to accelerate. This was a major cause of the runaway inflation in December, January, and February. The Government responded by assuring adequate food supplies and reforming the currency. These two changes will affect the Brazilian agricultural environment.

Food supplies will be managed by a new interministerial agency, CINAB; which will coordinate financial, planning, export, and agricultural Government institutions. Over a million tons each of corn and rice were imported during the first quarter of 1986. A buffer-stocks plan was announced. Corn, rice, dry beans, and soybean oil stocks are being acquired by imports or domestic purchases, in quantities large enough to stabilize domestic prices.

Currency reform, announced February 28, 1986, will likely purge the Brazilian economy of high inflation. Ceilings have been imposed on retail food prices. The indexation of loans to adjust for high inflation has ended. This will eliminate some of the agricultural incentives in the poor northeastern part of Brazil, where some loans were available at less than full monetary correction. However, for most of Brazilian agriculture, deindexation of loans should lower financial costs and end the risk that a farmer's crop receipts might not cover the monetary correction on his production loan.

A decline in annual inflation from 200-300 percent to 12-20 percent should ease investment planning in productive industries such as agriculture. Purely speculative investments may be less attractive, allowing farmers to acquire farmland held by speculators. However, price ceilings on food may squeeze profits, reducing investment. How long price ceilings remain in effect, and how they are adjusted, may determine future agricultural growth in Brazil. *[Ed Allen (202) 786-1662]*

ANDEAN REGION

The Andean region has a population of some 95 million, a combined GDP of nearly $125 billion, and receives U.S. agricultural exports of $1.15 billion per year. Wheat, corn, sorghum, soybeans, soybean oil, and soybean meal comprise 80 percent of U.S. agricultural exports to the region. In recent years, the Andean region's economic stagnation, foreign debt problem, and downturn in export earnings from petroleum have led to reduced agricultural imports from the United States. These problems are expected to persist in 1986.

Commodities

The region's wheat production rose 12 percent in 1986 to 1.6 million tons, as Chile, which alone produces 1.2 million tons, drives toward self sufficiency. Consumption is expected to decline slightly in 1986. A 140,000-ton drop in Peru, due to declines in consumer purchasing power, will probably offset increases in other countries. Wheat imports will likely decline nearly 250,000 tons, mostly because of Chile's and Peru's reduced import needs.

Rice production declined slightly to 3.6 million tons. Output in Peru declined 208,000 tons, mostly because of bad weather. There was little change in production in the rest of the region. Consumption is expected to climb 243,000 tons to 2.6 million. Most of the gap will probably be filled by a drawdown in stocks rather than by imports.

The major feedgrains, corn and sorghum, will register increases in production, consumption and imports. Corn and sorghum are recovering from last year's low production. Venezuela's harvest increased 300,000 tons (55 percent) because area increased 47 percent. Most Andean countries expect some growth in demand for feed as their poultry industries get going again. Venezuela will again use more sorghum in poultry rations. Most of the additional corn production will go into corn meal for food.

Oilseed production is up 15 percent to 1.15 million tons and the oilseed crush is up 5 percent. Oilmeal and vegetable oil use are about the same as last year (1.3 million tons and 926,000 tons, respectively). The 10-percent decline in imports of these products is an indication of increased oilseed processing capacity as well as increased production. Colombia and Venezuela are the largest oilseed importers, and Colombia has the largest crushing industry. Production of fishmeal, which supplements oilseed meals in livestock rations, increased in Peru and Chile.

Noteworthy Developments in Andean Countries

The decline in Venezuela's export earnings from petroleum and the continued economic slump have changed its attitude toward food imports. The Government has stated that there will be no corn imports in 1986, and wheat imports are frozen at the 1985 level of 1.2 million tons. Sorghum will be used as the principal grain feed. Soybean and soybean meal imports will be increased, but not soybean oil. Imports of processed and luxury foods have already been cut off. New Government policies are aimed at increasing self sufficiency in grains.

Venezuela has increased investment in agriculture, and has retained its fertilizer subsidy. There has also been considerable clearing of forest land and increasing irrigation, so that arable land has increased significantly. The changeover in the preferential exchange rate from 4.3 bolivares to 7.5 bolivares for feed grains and protein meal (compared to the official rate of 20) could have added to poultry production costs, but the Government reintroduced subsidies to livestock feed manufacturers to compensate for the increased costs of imported feedstuffs. The need for poultry as an inexpensive protein source will keep feed imports up.

The improvement in Colombia's foreign exchange earnings may be the bellwether for U.S. agricultural export prospects. Until Brazil's coffee shortfall, prospects for pulling out of the economic slump were slim -- foreign reserves were extremely low and income growth was limited. The improved economic prospects are spurring demand for poultry meat, which in turn is increasing derived import demand for feedgrains and protein meal. The disappointing cottonseed and palm oil crops will also add to import needs. The Government has already authorized imports of 50,000 tons of soybeans during the first half of 1986 and will probably authorize another 50,000 during the second half. Colombia is switching from oilseed product imports to raw soybeans to utilize its own processing facilities. The U.S. has been the primary source of soybeans.

Peru is still in an economic crisis, despite the attempts of the Garcia Government to overcome problems. Peru's per capita income is still lower than it was in the mid-sixties. The belt tightening that Peru has undergone in recent years has taken its toll in food supplies. Stocks have been drawn down, and drought in the principal rice and potato growing areas contributed to seasonal shortages in 1985. Income has grown just enough to stimulate demand for some products, such as poultry. Peru cut off its debt-payment poultry exports to the USSR. Peru has also imported potatoes and tendered 140,000 tons of rice from Pakistan, Thailand, China, and the United States. Wheat is still the largest import item, but the United States has faced strong competition in the Peruvian wheat market from Argentina's low export wheat prices. U.S. grain transportation costs to Lima - Callao are about $5 a ton less than for Argentina, but not sufficiently less to compensate for Argentina's lower f.o.b. price. Peru is one of the larger recipients of PL-480 aid and is scheduled to receive $20 million of PL-480 credit in fiscal year 1986, mostly for wheat.

Bolivia had another year of negative income growth (-2.1 percent) and the highest

level of inflation in South America. While commercial imports have declined sharply, aid needs have increased. From May through mid-August 180,000 tons of US PL-480 Title I/III wheat are scheduled to be delivered. Bolivia's wheat requirements are about 25,000 tons per month. About 8,000 tons of Argentine flour are also imported monthly.

While Chile is expected to have modest gains in real GDP, little will be translated into increased agricultural imports. The outlook is for growth in real GDP and a larger trade surplus, mostly because of higher copper prices, lower international interest rates, and the reduced cost of oil imports. Chile, with a $19.6-billion foreign debt, will still have a foreign-exchange limit on imports.

A sharp upward trend in wheat production will continue to cut into U.S. wheat exports to Chile. In March, Chile lowered its floor and ceiling prices for wheat (the so-called price band) to $211 and $239 a ton, reflecting declines in international markets. Chile has a tariff on wheat, including a 20-percent value added tax.

Wheat and soybean oil are Ecuador's major agricultural imports, and the United States is the sole supplier. The Commodity Credit Corporation (CCC) has programmed $105 million of credit guarantees for fiscal 1986, mostly for those products. About 35,000 metric tons of hard red winter wheat valued at $5 million is programmed through PL-480 this year. In February, the Ecuadorian Government bought 90,000 tons of wheat for October-December delivery, assuring supplies for 1986. Economic growth is stagnant and petroleum exports, the major source of earnings, will be down, so there is little prospect of rising income generating new import demand. One bright spot is that the freshwater shrimp industry is providing new feedgrain markets. Ten percent of the corn used for feed goes to feed shrimp. Wheat milling byproducts and soybean meal are also used.

The United States will probably run an even larger agricultural trade deficit with the Andean region this year, as coffee, the largest agricultural import, increases in price. After Brazil, the region is an important source of such tropical products as sugar, bananas, and cocoa beans. Cut flowers, freshwater shrimp, and fresh fruits are important nontraditional products. Colombia has joined Ecuador as a ranking exporter of freshwater shrimp; Chile's grape exports have expanded so much that grapes have replaced copper as Chile's major export to the United States. Coca and marijuana are major illicit foreign exchange earners of the region. Coca exports increased, but marijuana exports have declined in 1985. *[Chris Bolling (202) 786-1662]*

WESTERN HEMISPHERE COFFEE

Edward Allen, Christine Bolling, and Nydia Suarez

The Western Hemisphere accounts for about two-thirds of world coffee production. South America normally contributes about half of global output, with Brazil taking the lead and supplying 30 to 35 percent of world output, Colombia 15 percent, and Central America 10 percent. Coffee prices have risen more than 60 percent in recent months because of lower global production and export potential, mostly resulting from a severe drought in the major coffee-growing area of Southern Brazil. The International Coffee Organization (ICO) repeatedly released additional export quotas at the end of 1985, but increased exports failed to bring prices down within the target price band, so the quota system was suspended. Despite some recent weakening of international coffee prices, the fundamentals of the market remain, and this year's prices will be much higher than a year ago.

In 1985/86, Brazil produced a record crop of 33 million bags. But the drought in the latter part of 1985 disrupted flowering in high quality coffee regions. The extended dryness also caused defoliation and loss of some trees. As a result, harvest may be reduced in 1986 and 1987. New plantings will not produce for at least 3 years, so this drought may reduce farmers' output for several years. Between October 1985, when the damage began to

become evident, and January 1986, green coffee prices increased over 85 percent. Exporters and coffee brokers were the immediate beneficiaries. The Brazilian Coffee Institute (IBC) decreed that exporters had to keep 2 bags in storage for each bag exported. This regulation was very unpopular, because exporters had to pay storage costs for the record 1985/86 crop. But this regulation also gave brokers an incentive to buy farmers' stocks early, at low prices, allowing windfall profits when prices shot up. Many coffee farmers did not benefit from the price increases since most had earlier sold their large crop at low prices.

Ample stocks from the record 1985/86 crop cushion the reduced production prospects for Brazil. Stocks can easily cover export demand for 1986 and most of 1987. Prices have increased due to fears of a long-term shortage. For the short run Brazil has been able to charge much more for its exports, resulting in a foreign-exchange windfall that may reach 2 billion dollars.

The IBC is coordinating its policies with Colombia. Since Brazil and Colombia hold most of the world stocks, especially of quality coffee (see table) they will wield unusual marketing power over the next 2 or 3 years.

Colombia has stocks of 12 million bags and a 1985 harvest of about 13 million, and will enjoy considerable windfall profits from coffee during the next few years. Colombia is also fighting coffee rust disease, which may eventually affect production potential. In 1985, Colombia exported 10 million bags, a 16-percent increase from 1984. The increase was primarily due to the addition of about 750,000 bags to Colombia's ICO quota. Moreover, the price of Colombia's coffee had gone from $1 a pound to $2.80 by January. After the initial price runup, the Colombian Minister of the Treasury announced a reduction in the coffee registration price to $2.67 a pound (a 5 percent decline) on April 3.

Coffee also plays a key role in the economies of most Central American countries. It accounts for almost 35 percent and 45 percent of the region's total and agricultural exports, respectively, and is a major foreign exchange earner in every country except Panama and Belize.

However, Central America's benefit from the increase in world prices has been diminished by two circumstances: first, production fell about 8 percent, and second, this year's crop was contracted earlier in the year at much lower prices in some countries. Central America's 85/86 coffee output is now forecast at 9,633 million bags, down from 10,470 million bags in 84/85. This is mainly due to less favorable weather and normal cyclical declines. The 1985/86 Costa Rica coffee harvest is now forecast at 2,013 million bags, a 20-percent reduction from the 84/85 record crop. However, coffee area in Costa Rica is rising as a result of new planting made possible through private financing.

The Guatemalan crop is now estimated at 2,530 million bags, down 6 percent from 84/85. A combination of dry weather and untimely showers during the flowering season are the primary factors. The El Salvadorean and Nicaraguan 1985/86 crops have been forecast down 4 and 2 percent respectively. A large portion of Nicaragua's coffee is grown in areas of political unrest. Honduras' crop has been reduced by 7 percent because of normal cyclical patterns. Panama is the only country showing some increase. However, Panama's output represents only 3 percent of the region's production. Costa Rica, El Salvador, and Guatemala, all with significantly reduced output, account for 75 percent of the region's production.

There are some concerns about the long-term impact of high coffee prices, since the price runup in the late seventies resulted in reduced consumption in the long run. In December there was also concern over the possibility of the International Coffee Agreement being dismantled if the ICO abandoned the quota system. Although the United States agreed to remain in the ICO, reestablishment of the quotas will be the next point of renegotiation, but this will be difficult at best.

DIMENSIONS OF U.S.–MEXICAN AGRICULTURAL INTERDEPENDENCE

M.J. Mielke

Introduction

Mexico is the third largest agricultural trading partner of the United States, after Japan and Canada, and is by far the United States' most important Latin American market. Strong Mexican–U.S. trade ties exist because of geographic, cultural, and economic ties across the 2,000–mile common border, and the substantial presence of U.S. business and investments in the Mexican economy. The interdependence has been reinforced with the development of Mexican petroleum reserves and exports during the seventies, and two serious Mexican agricultural production shortfalls (1979 and 1982) that necessitated unprecedented imports.

The United States rapidly became Mexico's largest oil customer as world prices soared and Middle East supplies were threatened. Today, the U.S. share of Mexico's oil exports is still over half, but this is down from the early 1980's. Mexico and the United States established formal agricultural trade agreements beginning in 1980 when poor weather cut production.

Mexican economic growth and trade has temporarily been curtailed by the country's serious financial crisis and the measures taken to reduce inflation and public spending. Foreign debt servicing is largely to satisfy loans extended by U.S. financial institutions – some 58 percent of the total debt. The current account deficit is also a major factor in Mexico's efforts to trim imports and expand exports.

United States–Mexican Agricultural Trade

As a result of the rapid rise in U.S. exports to Mexico in recent years, the agricultural trade balance shifted in favor of the United States. Mexico enjoyed a $360–million surplus during the early 1970's, but this turned into an average deficit of $1.4 billion in 1980 and 1981. The United States has enjoyed trade surpluses since then, except for 1982 and 1985 when the account was roughly in balance.

U.S. agricultural trade balance with Mexico

Year	U.S. exports to Mexico	U.S. imports from Mexico	Trade balance
	---$US millions---		
1981	2,432	1,102	1,330
1982	1,156	1,158	2
1983	1,942	1,279	663
1984	1,993	1,279	714
1985	1,439	1,446	-7

Source: USDA, ERS, FATUS, various issues.

U.S. agricultural exports dominate Mexico's imports. Most important are grains, followed by oilseeds and livestock products. Except for occasional shipments from Argentina and Canada, the United States supplies almost all corn and grain sorghum imports. The soybean trade is shared with Argentina and Brazil, but the United States normally takes over half the market. Other oilseed imports consist mostly of cottonseed and sunflowerseed, almost all U.S. shipments. Canada supplies small quantities of linseed and rapeseed. The United States is the major supplier of oilmeals and most vegetable oils. Of the major import categories, wheat, rice, and dairy products are currently dominated by other suppliers; Canada for wheat and barley, Thailand for rice, and the European Community (EC), Canada, and New Zealand for dairy products, primarily nonfat dry milk.

The United States and Mexico have a large trade in animals and animal products. Mexico imports live dairy cattle for breeding purposes. Other live animal imports include hatching eggs and day–old chicks. Canada and Central America are the major competitors in the cattle trade. Mexican tallow and hide imports are almost exclusively from U.S. sources. Another important category for U.S. exporters is animal feeding stuffs, almost all in the form of vegetable oil residues.

U.S. agricultural imports of Mexican farm products have recently averaged about $1.3 billion (1983–85), or about 7 percent of the U.S. total. This puts Mexico among the top

U.S. share of selected Mexican agricultural imports

Commodity	1981	1982	1983	1984	1985
Wheat (1,000 mt)	1,128	398	423	342	319
U.S. share (%)	(92)	(99)	(5)	(21)	(0)
Rice (1,000 mt)	60	9	--	168	164
U.S. share (%)	(15)	(na)	(na)	(0)	(0)
Corn (1,000 mt)	3,065	233	4,691	2,511	1,742
U.S. share (%)	(92)	(100)	(100)	(100)	(94)
Dry beans (1,000 mt)	490	147	1	--	117
U.S. share (%)	(91)	(88)	(100)	(100)	(30)
Sorghum (1,000 mt)	2,789	1,478	3,308	2,775	2,106
U.S. share (%)	(75)	(96)	(100)	(78)	(82)
Barley (1,000 mt)	91	na	87	88	1
U.S. share (%)	(43)	(na)	(1)	(6)	(100)
Soybeans (1,000 mt)	1,110	518	1,056	1,674	1,270
U.S. share (%)	(60)	(55)	(89)	(78)	(76)
Other oilseeds(1,000 mt)	na	606	456	643	690
U.S. share (%)	(na)	(100)	(86)	(100)	(53)
Live cattle (1,000 hd)	79	74	8	143	[illegible]
U.S. share (%)	(35)	(24)	(62)	(28)	(na)
Tallow (1,000 mt)	74	83	87	115	105
U.S. share (%)	(87)	(73)	(82)	(90)	(100)
NFDM (1,000 mt)	91	71	108	111	145
U.S. share (%)	(0)	(13)	(67)	(28)	(23)
U.S. share of total agric. imports (%)	73	68	88	85	68

— = negligable.
na = not available.

Sources: USDA, ERS, FATUS, various issues(U.S. exports to Mexico); Banco Nacional de Comercio Exterior, Comercio Exterior, various issues (reported imports into Mexico).

U.S. share of [illegible] Mexican agricultural exports

Commodity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coffee (1,000 [illegible] 1/	122	126	185	174	193
U.S. share [illegible]	(71)	(69)	(52)	(59)	(61)
Cotton (1,000 [illegible] 2/	[illegible]	126	69	123	95
U.S. share [illegible]	(5)	(5)	(8)	(4)	(16)
Tomatoes (1,000 mt)	293	338	208	451	[illegible]
U.S. share [illegible]	(81)	(79)	(na)	(82)	(79)
Other fr. veg.(1,000 mt)	403	[illegible]	396	596	991
U.S. share (%)	(na)	(95)	(100)	(100)	[illegible]
Strawberries(1,[illegible] mt)3/	30	20	22	28	21
U.S. share (%)	[illegible]	(70)	(76)	(79)	(100)
Other fr. fruit(1,000 mt)	257	329	202	392	387
U.S. share [illegible]	(91)	(92)	(na)	(88)	[illegible]
[illegible] (1,[illegible] mt)4/	49	28	25	62	35
U.S. share (%)	(57)	(86)	(96)	(42)	(67)
Tobacco (1,000 [illegible] 5/	21	19	11	13	9
U.S. share [illegible]	[illegible]	(35)	(100)	(40)	(31)
Live cattle ($ million)	[illegible]	108	168	112	143
U.S. share [illegible]	(100)	(100)	(83)	(86)	[illegible]
U.S. share of total agric. exports [illegible]	[illegible]	80	91	74	70

[illegible] = not available.
1/ Raw and [illegible] beans and products. 2/ Includes linters. 3/ Mostly frozen, but includes [illegible] shipments except for 1982. 4/ Hulled and unhulled [illegible].
5/ Unmanufactured tobacco.

Sources: [illegible] previous table.

three single-country suppliers, along with Brazil and Canada (the EC is an important regional supplier).

Coffee is the single most valuable agricultural import from Mexico, averaging $345 million during 1983-85. Shipments include mostly beans, with minor quantities of roasted and soluble coffee. Live cattle imports from Mexico ($111 million) are mostly feeder cattle to be fattened in U.S. feedlots. In the past, some of these cattle were re-exported to Mexico after feeding out to slaughter weight.

As a commodity group, fresh vegetables were the most valuable Mexican export to the United States during 1983-85 ($454 million). Tomatoes, once a majority in this category, now represent a little over one-third. Bell peppers, cucumbers, onions, and squash are also important. Shipments occur during the winter season from November to June. During most seasons, the Mexican share of U.S. domestic shipments of these vegetables ranges from one-third to one-half. During the peak months (January-May), the Mexican share increases substantially. Fruits and products are a growing category of Mexican exports ($124 million), in which melons, fresh grapes, mangoes, and strawberries are the most important items.

Issues Affecting United States-Mexican Trade Relations

Underlying the trade relations of the United States and Mexico are the policy directions of both countries. For Mexico's part, this involves a gradual shift away from import substitution and toward a greater diversification of trade. The financial crisis of the early 1980's and the recent sharp fall in petroleum prices have made the expansion of alternative (non-petroleum) exports a more urgent issue. There is also the desire to move away from the heavy dependence on the United States as both a supplier and market for Mexican trade. U.S. trade relations with Mexico, by contrast, are largely guided by international commodity agreements, the General Agreement on Tariffs and Trade (GATT), and domestic food policies.

Mexican Agricultural Trade Policy

Mexican import regulations require a license to import and the terms, including

tariff rates and official price valuations, are subject to change without notice. These terms could be perceived by U.S. exporters as the most difficult part of import regulation because they add political uncertainty to "normal" speculation about market conditions. Mexico maintains a wide range of ad valorem import duties, ranging from zero percent on basic foods and some agri-industrial inputs to very high rates for so-called "luxury" items. The official valuation of imported goods for tax purposes is often set higher than market prices.

During 1985, the Mexican Government began to dismantle the non-tariff wall. While over 60 percent of total import value is now allowed entry without a permit, only about one-fourth of the agricultural imports are currently granted the same exemption. In some cases agricultural imports are also subject to tariffs. In most cases where the import permit requirement has been removed, tariffs have been substituted or increased. The Government, through CONASUPO, continues to be the sole importer of bulk commodities with the notable exception of animal feeds. Food processing associations (primarily for corn and dry beans) are not yet organized to purchase directly from U.S. or other suppliers, although they are allowed to do so.

Foreign exchange rate controls established by Mexico in 1982 led to short-run trade disturbances. The large public-sector purchases of bulk food commodities, however, were largely unaffected by these changes. A two-tier exchange regime, initiated in December 1982, is still in effect. Most trade is conducted at the controlled market rate, which continues to be overvalued in terms of the difference between the U.S. and Mexican inflation rates, the latter running at about 60 percent per year.

Mexican export policy is normally not restrictive except during domestic supply shortages. Export licensing is required in most cases but licenses are generally available under normal conditions. In recent years exports have been controlled for beef, live cattle, coffee, and sugar. Cattle exports to the United States are limited by quotas established for each Mexican state which produces for export. Volume restrictions also apply to coffee exports, due in part to Mexico's participation in the ICO, which establishes worldwide quotas. A few commodities are also subject to export duties, coffee being the most important example.

U.S. Agricultural Trade Policy

U.S. import controls that most affect Mexico are marketing regulations, either to limit quantities and/or to set minimum sanitary and health limitations. Federal marketing orders are used to set standards of size, shape, color, and other quality standards for fresh produce shipped within the United States. As the principal export supplier of fresh winter vegetables, Mexico must comply with U.S. marketing orders. Fresh vegetables and fruits are also subject to health regulations which require imports to be free of contagious diseases such as citrus canker and those carried by the Mediterranean fruit fly, both of which are found in Mexico. The U.S. ban on imports of fresh fruits treated with EDB, initiated in September 1985, affected mostly mango imports. Live cattle imports from Mexico must face strict health and sanitary regulations before receiving an import permit.

The United States also uses quotas to set import limits. Mexican beef exports are subject to the U.S. Meat Import Law. This law establishes a global level of imports each year, that if exceeded, results in the imposition of quotas. Tariff regulations are applied to certain commodities and are sometimes used in conjunction with marketing controls. Mexican winter vegetables and fruits are subject to import duties based on a cents-per-pound charge. It is difficult to estimate an ad valorem equivalent, but in recent years these tariffs ranged from 10-20 percent of product value. Mexican sugar exports are also subject to a U.S. import quota, which was about 11,000 tons during the 1985/86 season.

Bilateral Trade Issues

Mexico continues to establish trade agreements to assure adequate food supplies for its fast-growing population and, until recently, expanding economy. The U.S. Government has assisted Mexico in the importation of large quantities of grains and oilseeds since 1980. The primary vehicle is

export credit guarantees to obtain financing from U.S. lenders (GSM-102). Commodities covered by this program have included corn, sorghum, wheat, soybeans, sunflowerseed, cottonseed, inedible tallow, nonfat dry milk, and vegetable oils and meals. Other commodities could be substituted at the option of the Mexican purchasing agency, CONASUPO.

During fiscal 1985, Mexico used only about one-third of the $700 million of GSM-102 credits offered, but it appears that almost all of the initial $600 million and an additional $50 million just approved for dairy cattle imports will be allocated in fiscal 1986. Mexico has requested an additional $500 million in GSM-103 credits for fiscal 1986. Although normally reserved for building storage capacity, GSM-103 credits will be allowed for the direct importation of food under a change in the 1986 U.S. farm bill. Mexico would be the first country to be offered these credits if the request is approved.

U.S. agricultural trade relations with Mexico are generally guided by multinational trade agreements such as the GATT and international commodity agreements . U.S. tariffs are applied on a most-favored-nation basis to almost all trading partners. As a result, despite the fact that Mexico is not a signatory to the GATT, the U.S. tariff structure does not discriminate against Mexican imports.

Imports from developing countries can also qualify for duty-free entry under the Generalized System of Preferences (GSP). In the case of Mexico, however, many of its exports exceed the competitive need requirements of the GSP, which limit duty-free trade to those imports that do not exceed a fixed dollar value ($69.6 million in 1985) or do not account for more than 50 percent of the U.S. market. Other commodities are not covered by the GSP, such as fresh fruits, of increasing importance to Mexico. Some fresh vegetables are allowed duty-free entry during periods when U.S. production cannot meet domestic demand.

Mexico's recent agreement with the United States to eliminate export subsidies in exchange for the right to the 'injury test' in countervailing duty investigations appears to have only limited implications for agricultural trade. In the last 10 years there have been only about a half dozen trade disputes over the sale of Mexican agricultural products in the United States, involving asparagus, honey, textiles and products, fresh winter vegetables, and leather wearing apparel. The U.S. imposed a countervailing duty in only the leather apparel case. U.S. courts have to date ruled in Mexico's favor in the fresh winter vegetable anti-dumping cases.

MULTILATERAL TRADE NEGOTIATIONS AND AGRICULTURAL ISSUES IN THE WESTERN HEMISPHERE

Nicole Ballenger

The United States and the other signatories and observers to the General Agreement on Tariffs and Trade (GATT) 1/ are scheduled to convene in Punta del Este, Uruguay, beginning the week of September 15, 1986, for a new round of multilateral trade negotiations (MTN). The liberalization of agricultural trade, and the strengthening of related GATT Articles and Codes, promise to be major issues. The larger Western Hemisphere countries, such as the United States, Canada, Mexico, Argentina, and Brazil, will be key participants. The interests of many smaller Latin American countries will also be represented through the activities of regional organizations, such as the Organization of American States and the Latin American Economic System.

Although it is too early to predict their outcome, which may not be reached for several years, agricultural negotiations could have important implications for the United States and other Western Hemisphere countries because of the importance of agricultural trade. Additionally, MTN negotiations offer a chance to resolve ongoing agricultural trade disputes straining relations between the United States and several other Western Hemisphere countries.

The Impetus for the Upcoming MTN

The agricultural trade environment has changed dramatically since 1979 when the last round of MTN talks ended. In the 1970s, world agricultural trade grew rapidly and there was worldwide concern that exporters would be unable to meet the world's burgeoning food needs. However, since the beginning of the 1980s, world supply has expanded more rapidly than demand, depressing world commodity prices. Countries have come to rely heavily on trade barriers and domestic agricultural support programs in order to protect falling farm incomes. High domestic prices have also resulted in the increased use of export subsidies in order to dispose of surplus commodities. Agriculture is now generally considered one of the most highly protected sectors in international trade.

During the 1980s, the U.S. share of the sluggish world agricultural market declined because of the strong dollar, relatively high U.S. agricultural prices, and increased competition from other world suppliers. The United States is attempting to revitalize its agricultural exports by several means. One important way is through the GATT, which provides a vehicle for its members to formally protest other countries' unfair trading practices 2/. These include the use of certain types of import barriers and export subsidies by U.S. trade partners and competitors. Many

1/ The GATT is a multilateral treaty providing a set of rules for conducting world trade as well as guidelines for consultation, dispute settlement, and negotiations on trade issues arising among its members.

2/ U.S. trade law incorporates GATT trade regulations. Section 301 of the Trade Act of 1974, as amended, is the means by which the President enforces GATT trade provisions to counteract unfair trade practices concerning exports. GATT regulation regarding antidumping and countervailing duties concerning imports are incorporated into U.S. law under the Tariff Act of 1930, as amended--most importantly by the Trade Agreements Act of 1979.

of these disputes remain unresolved, however, with the GATT rules regarding agricultural trade policies often difficult to interpret and, consequently, less effective.

The desire to strengthen the GATT's agricultural trade rules and to reduce worldwide agricultural protectionism was a major impetus to the United States' call for a new MTN. Other major agricultural exporters, including Canada, Brazil, Argentina, Australia, and New Zealand, have also voiced strong support for the liberalization of agricultural trade and for GATT rules and disciplines.

GATT Rules for Agricultural Trade

A major aim of the GATT treaty is to limit the use of nontariff barriers (Article XI) and export subsidies (Article XVI and the Code on Subsidies and Countervailing Duties). While these objectives apply to agriculture, there are several exceptions that accord agricultural trade special status.

- GATT provisions permit quantitative trade restrictions under certain circumstances when agricultural imports or exports would interfere with domestic food and agricultural programs. Quantitative restrictions on agricultural imports and/or exports, whether explicit or implicit, are common in almost all Western Hemisphere countries.

- The GATT's general prohibition of export subsidies does not apply to primary products, such as most agricultural commodities. Countries are merely admonished to "seek to avoid the use of" export subsidies. In the event they are used, exporting countries should not apply them in a manner that enables them to acquire "more than an equitable share of world export trade". GATT members have agreed that these rules on subsidies are loosely and inadequately defined. They have contributed to a growing number of unresolved disputes, particularly between the United States and the European Community, over the use of agricultural subsidies. In the Western Hemisphere, disputes over the use of subsidies have proliferated between the United States and Canada and between the United States and Brazil.

- There are also international agricultural commodity agreements set up outside the GATT, such as for coffee, cocoa, and sugar, under the auspices of the United Nations. These agreements are designed to regulate quantities traded and stabilize prices, rather than promote free trade.

The GATT also offers special and differential treatment to less-developed country (LDC) members, many of whom are important agricultural traders. Full reciprocity in either agricultural or nonagricultural trade matters is not required of LDCs. For example, the rules on export subsidies by LDCs are considerably less restrictive than those on export subsidies by developed nations. Furthermore, the GATT allows the United States and other developed countries to offer special import opportunities to developing countries through a Generalized System of Preferences (GSP). The U.S. GSP program provides duty-free treatment to qualified products of designated developing countries. Latin American countries have been major beneficiaries.

The lenient GATT rules for agriculture, coupled with large world surpluses of agricultural commodities, have contributed to the widespread use of import barriers and export subsidies. The recent rash of disputes over these trade barriers has led many GATT members to acknowledge the need to strengthen GATT rules on agricultural trade. Although it may be many months before new rules are agreed on, this may be a major accomplishment of the next MTN.

Key Western Hemisphere Issues

The principal agricultural exporters and importers in the Western Hemisphere belong to the GATT. A number of Caribbean countries maintain de facto application of GATT rules and, in turn, receive GATT treatment from members. Furthermore, the United States has bilateral agreements with several nonmembers under which it extends most-favored-nation status to those countries 3/. Thus, the vast majority of trade in the

3/ The most-favored-nation clause of the GATT embodies the basic principle of non-discrimination and reciprocity in trade.

Participation of Western Hemisphere countries in the General Agreement on Tariffs and Trade

Members	Nonmembers	De Facto Application
Argentina	Venezuela 2/	Antigua and Barbuda
Barbados	Bolivia	Bahamas
Belize	Paraguay 2/	Dominica
Brazil	Ecuador	Grenada
Canada	Costa Rica	St. Christopher & Nevis
Chile	Honduras 2/	St. Lucia
Colombia	El Salvador 2/	St. Vincent and the Grenadines
Cuba	Guatemala	
Dominican Republic		
Guyana		
Haiti		
Jamaica		
Mexico 1/		
Nicaragua		
Peru		
Surinam		
Trinadad & Tobago		
Uruguay		
United States		

1/ Not currently a member, but has applied for membership.
2/ The United States extends most-favored-nation treatment to these countries through bilateral agreements.

Source: United States International Trade Commission. Operation of the Trade Agreements Program. 1985.

Western Hemisphere is subject to GATT purview. Western Hemisphere countries not participating directly in GATT are indirectly affected through the treaty's impact on world trade.

North-South Issues

A key issue in the upcoming MTN will be the role of developing countries in the GATT. This will be especially pertinent for U.S.-Latin American trade relations. The United States and other developed countries believe that developing countries, particularly the newly-industrialized countries (NICs), must begin to bring their trade policies into conformity with GATT rules applied to developed countries. The argument is two-fold: one point is that some NICs have progressed to a level of development no longer requiring special treatment; the other point is that developing countries now play such an important role in world trade that, without their cooperation, the GATT will become ineffective. Newly-industrialized countries in the Western Hemisphere that play an important and growing role in agricultural trade include Argentina, Brazil, and Mexico. (Other NICs are Chile, Venezuela, and Uruguay).

The United States GSP "graduation" policy reflects this position. As advanced beneficiary countries become competitive enough in particular products to compete in the U.S. market without GSP benefits, the United States attempts to graduate their products from the program. Mexico was one of the nations most affected by recent reductions in GSP benefits, although the cuts were aimed mostly at duty-free imports of manufactured goods. Duty-free privileges have recently been taken away from Brazilian ethanol and Chilean copper.

In the next MTN, the Latin American countries are expected to protest this policy and the elimination of other special treatment for LDCs. They assert that they remain underdeveloped and need the trade preferences to catch up with the industrialized world. They are also expected to pursue the liberalization of U.S. import barriers vis-a-vis sugar, textiles, beef, and other protected products of which Latin American countries are important exporters.

U.S.-Canadian Issues

The following table shows major recent complaints of unfair trading practices brought by the United States against Canada, one of its two major agricultural trade partners and competitors in the Western Hemisphere. These disputes suggest areas of special interest to negotiators. In recent years, U.S. producers have cited unfair trading practices by Canada covering wine, fruits and vegetables, yellow onions, potatoes, eggs, softwood lumber, beef, hogs and pork, groundfish, and tuna. Canada has countered with claims of U.S. export subsidies of

Major agricultural trade disputes brought by the United States against Canada

Commodity	Nature & date of dispute	Status of dispute
Wine	Mark-up differential between domestic and imported wines (1979-present)	Unresolved Consultations ongoing
Potatoes	Dumping (1981-present)	U.S. ITC ruled that no dumping-induced injury had occurred. Maine Potato Council has appealed. Case pending.
Hogs & Pork	Domestic subsidization (1983-present)	Countervailing duty imposed on Canadian hogs. No duties on pork. In appeal.
Groundfish	Export subsidies (1985-86)	Countervailing duty imposed Mar. 1986.

Source: United States International Trade Commission. Operation of the Trade Agreements Program. Various issues.

potatoes to British Columbia, U.S. dumping of sugar, and most recently subsidized corn exports.

The United States and Canada will pursue bilateral negotiations before the MTN aimed at assessing the prospects for freer trade. These negotiations may improve their agricultural trade relations, and may also reveal common ground for negotiations on the multilateral level. Stronger rules on export subsidies might help resolve disputes and improve their trading positions vis-a-vis other world exporters, such as the EC, that subsidize their exports.

U.S.-Brazilian Issues

The following table shows the nature and status of selected U.S. complaints of unfair trading practices against Brazil. These have focused on Brazil's exports of soybeans and products, frozen orange juice concentrate, ethanol, cotton, and poultry, and Brazil's imports of apples and pears. In turn, Brazil has protested that its share of the U.S. sugar import quota is too low and that U.S. duty rates on sugar should be lowered.

Trade policy disagreements between the United States and the European Community have also affected U.S.-Brazilian relations. During consultations in 1981 concerning export subsidies on poultry, the EC claimed that it was only meeting the competition from other subsidizing poultry exporters. The complaint against EC subsidization was thus expanded to include Brazil. Negotiations regarding export subsidy rules and the GATT treatment of developing countries will be of special interest to Brazil.

Major agricultural trade disputes brought by the United States against Brazil

Commodity	Nature & date of dispute	Status of dispute
Soybean oil and meal	Export subsidies (1981-present)	Consultations ongoing. No solution reached.
Apples and pears	Import licenses banned (1983-present)	Unresolved
Ethanol	Anti-dumping (1985-pres)	Ethanol removed from GSP duty-free list. Investigation ongoing.
Poultry	Export subsidies (1982-pres)	Consultations continue unresolved.
Cotton	U.S. countervailing duties imposed due to allegations of Brazilian export subsidies(1984) protested by Brazil	Countervailing duties revoked on combed yarn but maintained on carded yarn.

Source: United States International Trade Commission. Operation of the Trade Agreements Program. Various issues.

U.S.-Mexican Issues

Agricultural trade disputes have also occurred between the United States and Mexico regarding Mexico's exports of winter vegetables, fresh flowers, pork rind pellets, leather wearing apparel, textiles, and asparagus. U. S. producers have also cited Mexico's extensive system of import permit requirements as a major barrier to agricultural and nonagricultural trade. Mexico has recently applied for GATT membership and, in accordance with GATT rules, has already begun changing its permit regime toward an import tariff regime. However, Mexico is expected to ask for special treatment of its agricultural sector because of the importance of domestic food policies in national politics.

Since 1980, other U.S. agricultural trade disputes in the Western Hemisphere have involved Nicaragua (U.S. sugar import policy), Argentina (Argentina's hides and skins export taxes), Venezuela (Venezuela's dried prunes import duties and surcharges), and the Dominican Republic (U.S. tariffs on vegetable products).

Summary

Two key topics of the next round of multilateral trade negotiations will be the liberalization of agricultural trade and the extension of GATT rules to the more advanced developing countries. Stronger rules on the use of nontariff barriers and subsidies could ultimately lead to adjustments in the agricultural and trade policies of many Western Hemisphere countries, developed and developing alike. The United States will seek fewer import barriers and export subsidies from its Western Hemisphere trading partners and competitors. Latin American countries will seek greater access to certain U.S. markets and the inclusion of more products in the U.S. GSP program. Lower agricultural subsidies in other parts of the world, especially in the EC, could also affect Western Hemisphere agricultural trade, particularly the export competitiveness of the United States, Canada, Argentina and Brazil. Over the next few months, research in the Economic Research Service will focus on the impacts of trade liberalization.

DEMOCRACY SHIFTS AGRICULTURAL PRIORITIES IN BRAZIL

Ed Allen

Brazilian Government agricultural policies often reflect conflicting goals. A major issue is the allocation of resources between crops used for export, crops for domestic food consumption, and crops for use as inputs to other sectors of the economy. Agricultural policies also affect farm incomes, rural income distribution, and rural/urban migration. Resources are limited and priorities must be established. A more populist orientation and altered economic circumstances have led the democratically-elected Government to radically alter the agricultural priorities the military Government had pursued from 1980 to 1984.

Priorities from 1980 to 1984

In 1980, Brazil faced economic difficulties caused by high petroleum prices. Alcohol distilled from sugarcane had a long tradition in Brazil as a source of energy. Since the first oil price increases in 1974, gasahol had replaced gasoline. The Brazilians increased their commitment to alcohol in 1980, planning to replace most of their gasoline fleet with cars running on pure alcohol. Increased alcohol use caused strong demand for sugarcane. By 1984, about half of all sugarcane was dedicated to alcohol. Cane acreage expanded rapidly, occupying prime soils. Agriculture for energy was a top priority.

External debt service became a major problem, especially when international banks restricted new funds in 1982. A major devaluation in February 1983 gave additional incentives for farmers to grow crops for export, especially soybeans. The soybean area reached records in crop years 1983/84 and 1984/85.

Corn, rice, and other food crops for domestic consumption received attractive production incentives after Brazil became a net importer in 1978 and 1979. However, stocks increased in 1980 and 1981, and from 1982-1984 incentives could not maintain area. Declining per capita incomes also dampened food demand.

A side effect of encouraging sugarcane and soybean production was a concentration of income to larger farmers. Prolonged drought in the northeastern part of Brazil, where there are many poor subsistence farmers, accentuated the concentration of land ownership. Rural-urban migration continued unabated.

Policy Reversals Since 1985

In March 1985, a civilian opposition party (PMDB) won presidential elections and gained control of the Government. Beholden to a broad constituency, the PMDB has implemented a series of populist reforms. Changing economic circumstances, including strong growth (estimated 8.3 percent in 1985) and trade surpluses, allowed the Government some policy flexibility. In agriculture, priorities were reversed.

Food production has been emphasized, not only to maintain adequate supplies, but as part of a coordinated plan to improve nutrition, especially among the poor. However, the incentives to increase food production were frustrated by prolonged drought during planting in the major commercial production areas of southern Brazil. With reduced food production in the south, the Government increased and extended incentives for later-planted crops. Finally, the Government confirmed its commitment to ample food supplies by importing large quantities of staples. A program of Government-held buffer stocks has been established to maintain stable consumer food prices.

Export crops continue to receive enough price and credit support to contribute to the trade surplus. However, the area planted to soybeans and cotton, two major export crops, fell in crop year 1985/86. Foreign exchange to service the international debt is no longer in such short supply. The external accounts were balanced in 1984 and 1985 by $12-14-billion trade surpluses. With declining interest rates, and fewer expenses for imported oil, Brazil is not as concerned about increasing its trade surplus.

As petroleum prices have fallen, the resources Brazil has invested in switching from gasoline-to pure alcohol-run cars cannot easily be reversed. In agriculture, some of the investments can be used to produce sugar. However, independent distilleries have no sugar capacity, and most of Brazil's cars now must use alcohol. Although alcohol production is unlikely to fall, further expansion will be reduced as much as possible. Alcohol stocks are burdensome, and increases in sugarcane production will be discouraged.

Instead of putting resources into pro-alcohol programs that favored large farmers, Brazil has begun to enact a land-reform program. Underutilized land will be bought by the Government and redistributed to landless rural families. This program has received such widespread support and publicity that some action will be inevitable. The threat of losing land if it is not productive, plus inflation plummeting from the 200-300 percent range to 10-20 percent, has made speculative investment in land much less attractive. Increased agricultural land use can be expected as purchasers of land become more concerned with its productive capacity than its value as a hedge against inflation. As some of the rural poor receive land, and food production receives more incentives, rural/urban migration should slow.

ADJUSTMENTS TO THE FOREIGN DEBT BURDEN IN LATIN AMERICA

S. Elaine Grigsby

The international debt crisis has hit Latin America particularly hard. The 15 major debtors owe $430 billion of the outstanding developing-country debt of $900 billion. The major debtor group includes 10 Latin American countries, 3 African countries, Yugoslavia, and the Philippines. The four largest debtor developing countries are in Latin America: Brazil ($107 billion), Mexico ($99 billion), Argentina ($50 billion), and Venezuela ($33 billion). The other 6 Latin American countries among the 15 largest debtor developing countries are Chile ($21 billion), Peru ($13 billion), Colombia ($11 billion), Ecuador ($8.5 billion), Costa Rica ($4.2 billion), and Bolivia ($4 billion). Uruguay, Jamaica, and Panama also have large debts. The debts have imposed considerable hardship on the economies of these countries. However, unlike the 1930's, when many Latin American countries defaulted on their debt payments, most of these countries, with the assistance of the IMF, have made efforts to service the debt. The burden of debt repayment, however, has forced difficult adjustments externally and internally. Both types of adjustments have implications for economic growth and agricultural trade.

Adjustment in balance of payments has received the most attention from policymakers. International concern over the debt burden focuses on the ability of these countries to finance current account deficits. Persistent deficits require continuous borrowing. If financing is curtailed, then deficits eventually lead either to drawing down reserves or devaluing the currency. Drawing down reserves decreases the domestic money supply unless offset through changes in domestic credit. Devaluing the currency changes price relationships between domestic goods and tradeables and the level of net trade.

The deficits increased dramatically in the early 1980's. Current account deficits rose greatly since 1979, with increases ranging from 56% for Brazil to a staggering 1313% for Venezuela. Increases for other countries are in table 2. During this period, export values declined while interest payments increased, putting pressure on the balance of payments. Interest payments increased because of the term structure of debt repayment and

Current account deficits for Latin American countries

Country	1980	1981	1982	1983	1984
	Billion dollars				
Argentina	-4.770	-4.710	-2.480	-2.440	-2.500
Brazil	-12.810	-11.750	-16.310	-6.840	+0.042
Chile	-1.971	-4.733	-2.304	-1.073	-2.060
Colombia	-0.206	-1.961	-3.054	-3.003	-1.237
Ecuador	-0.642	-1.002	-1.195	-0.104	-0.248
Mexico	-8.162	-13.899	-6.218	+5.328	+3.966
Peru	+0.062	-1.728	-1.613	-0.875	-0.253
Venezuela	+4.728	+4.000	-4.246	+4.247	+5.298

Percent increases in current account deficit

Country	Increase	Peak year	Variable interest rate loans
	Percent		Percent
Argentina	830	1980	57
Brazil	56	1982	70
Chile	298	1981	57
Colombia	797	1982	43
Ecuador	92%	1982	52
Mexico	100	1982	76
Peru	137	1981	26
Venezuela	1313	1982	85

increases in interest rates. Many of the loans were at variable interest rates or were short-term. Interest payments for loans denominated in dollars also increased in local currencies because of the dollar's appreciation. Declines in new capital also increased net factor payments.

External Adjustment

Latin American debtors have had some success in making external adjustments by reducing the current account deficit, improving net capital flows, changing reserve levels, and depreciating currencies.

Current account deficits were reduced by improving the trade balance and deferring factor payments. Improvements in the trade balance came mostly through reductions in imports. Between 1982 and 1984, imports decreased in all countries in table 1 at an annual average of 12.3 percent. Imports of capital goods declined even more sharply. Trade policies also helped reduce imports. Countries moved back toward such policies as licensing imports, increasing customs duties, and requiring advance import deposits, which had been reduced in the late 1970's. These policies were relaxed again in 1985, but it is not clear whether they will remain so.

Trade balance for Latin American countries

Country	1980	1981	1982	1983	1984
	Billion dollars				
Argentina	-1.370	+0.710	+2.730	+3.720	+3.980
Brazil	-2.823	+1.185	+0.778	+6.469	+13.086
Chile	-0.764	-2.677	+0.630	+1.009	+0.293
Colombia	-0.297	-1.572	-2.244	-1.494	-0.330
Ecuador	-0.302	-0.183	+0.162	+0.957	+1.055
Mexico	-2.830	-4.099	+6.795	+13.762	+12.799
Peru	+0.837	-0.553	-0.428	+0.293	+1.007
Venezuela	+8.174	+7.840	+2.748	+8.162	+8.585

Improvements in the trade balance also came through exports, which increased in all countries except Chile and Peru. Argentina and Colombia relied on increases in agricultural exports while Brazil increased exports of manufactured and agricultural products. The increases were partially due to rises in external demand and adjustments in exchange rates. Major adjustments occurred for Argentina, Brazil, Chile, Venezuela, and Mexico, while moderate adjustments were made for Colombia and Peru.

Current account deficits were also reduced by deferment of interest payments which came through roll-over of short-term debt coming due or conversion to medium-term debt. In 1984, $36 billion of scheduled payments by developing countries was handled this way, with $30 billion, or 85% of this, for Latin American countries.

Current account deficits have persisted for Argentina, Chile, Colombia, Peru, and Ecuador, in spite of improvements in the trade balance. Current account surpluses were obtained only in Brazil, Mexico, and Venezuela. Brazil has a diversified industrial base, while the latter two rely heavily on oil exports. Mexico and Venezuela will almost certainly experience difficulties this year from the drop in oil prices.

Improvements in the capital account could have offset current account deficits. Examples would be increases in foreign borrowing, foreign direct investment, securities investment, and reductions in capital outflows. Before the crisis, new loans generally exceeded net interest payments. However, the debt crisis has resulted in a slowdown in new capital inflows, reducing the balance for capital flows. The capital account was strong during the years of peak deficits for such countries as Brazil and Chile. For these countries, foreign borrowing financed the deficits. For other countries, however, foreign borrowing did not show up in the net capital account because it substituted for domestic capital flight. This was a problem in the early 1980's for such countries as Argentina, Mexico, and Venezuela.

Capital account balance and change in reserves

	1980	1981	1982	1983	1984
	Billion dollars				
Argentina					
Balance	+2.069	+1.441	-2.988	-2.45	+0.014
Change	2.745	3.437	0.758	2.427	-0.016
Brazil					
Balance	+9.109	+12.241	+7.139	-1.618	-1.067
Change	3.321	-0.750	4.160	1.215	-6.089
Chile					
Balance	+3.216	+4.799	+1.147	+0.532	+2.080
Change	-1.402	-0.077	1.372	0.499	-0.197
Colombia					
Balance	+1.119	+1.901	+2.204	+1.158	0.920
Change	-1.231	-0.218	0.722	1.753	1.166
Ecuador					
Balance	+0.888	+0.634	-0.129	-2.330	-1.087
Change	-0.291	0.381	0.328	-0.127	0.058
Mexico					
Balance	+9.120	+14.975	+1.428	-2.079	-1.816
Change	-1.027	-1.122	3.470	-2.045	-2.138
Peru					
Balance	+0.202	+0.975	+1.332	-0.260	-0.976
Change	-0.609	0.620	0.140	0.053	-0.288
Venezuela					
Balance	-0.965	-4.021	-3.917	-4.088	-3.710
Change	-3.823	0.12	8.215	-0.095	-1.517

New loans obtained through negotiations with the International Monetary Fund (IMF) contributed to improvements in capital account balances. From 1979 through June, 1985, new loan commitments were made for 21 countries. Of these, 12 were in Latin America. The new loans increased inflows on the capital account and offset current account deficits. The remaining deficit was financed with changes in reserves.

Domestic Adjustment

Improvement in the balance of payments without increased output puts pressure on domestic economies. Yet economic steps taken to make adjustments in balance of payments make it more difficult to increase output. Reductions in imports, efforts to increase exports, debt service pressures, and reductions in capital inflows all put more pressure on domestic resources, reducing levels of saving available for investment.

In most of the seven countries discussed here, internally-generated savings did not increase enough to offset the decrease in foreign borrowing. Further, available savings were used to make factor payments. Savings in Brazil and Mexico remained the most stable. Chile's level of saving dropped the most.

National savings and investment for Latin American countries

Country	1980	1981	1982	1983	1984
	Percent of GDP				
Argentina					
Saving	19.8	14.4	13.6	13.6	12.8
Investment	23.0	18.9	19.0	16.2	14.7
Brazil					
Saving	18.0	19.3	18.3	17.8	17.8
Investment	23.2	23.7	24.3	20.8	17.9
Chile					
Saving	14.3	8.7	1.4	4.8	3.7
Investment	21.7	23.7	12.3	10.7	14.9
Colombia					
Saving	19.6	16.8	14.9	15.3	16.3
Investment	19.2	20.9	20.9	19.8	19.4
Mexico					
Saving	25.3	24.9	23.4	27.2	24.5
Investment	28.9	30.0	22.5	18.9	18.5
Peru					
Saving.	18.1	14.2	15.5	15.0	15.0
Investment	18.7	23.4	23.9	20.8	17.6
Venezuela					
Saving	32.5	28.7	20.1	17.0	24.9
Investment	24.6	22.8	26.5	14.7	16.0

As a result of the savings decline, investment rates were also lower. In 1984, the ratio of investment to output for Argentina, Brazil, Chile, Mexico, and Venezuela was at least 20 percent below the 1980–81 average. Foreign direct investment in Mexico dropped 25 percent between 1981 and 1984. The decrease in savings, combined with restrictive monetary policy and less availability of credit, reduced output. This diminishes prospects for future domestic growth to pay off the debts.

Other events also put pressure on domestic economies. Debt renegotiation agreements included conditions of reform, largely promoting fiscal austerity. Fiscal deficit reduction targets were set for Argentina, Brazil, Chile, Mexico and Peru. In 1984, the target for Argentina's fiscal deficit was 8.1 percent of gross domestic product, short of the actual deficit of 12.4 percent. Similarly, targets for Chile were 4.5 percent and deficits were 4.1 percent. The target for Mexico was 5.5 percent, while the actual deficit was 6.9 percent.

Stabilization policies also included efforts to cut back on domestic subsidies, to restrict wage and price increases, and to tighten the money supply. Inflation problems had been exacerbated in Argentina and Mexico, and to a lesser extent in Brazil and Chile, by exchange rate depreciation. Argentina and Brazil have

undertaken major economic reform programs in 1985 and 1986 to stabilize prices and establish fiscal reform.

The changes in trade also have an effect on the domestic economy. Reducing imports means cutting back on either food imports, capital imports, or consumer goods. The result is a decrease in the standard of living, or an increase in prices and inflation. Reducing imported inputs such as seed, fertilizer, or capital inputs decreases production and output. Reducing imports may mean producing domestically as a substitute for importing. This diverts resources from the domestic economy, and increases costs if the substitution cannot be done at a competitive price. Increasing production also takes time and investment. Increasing exports, without an increase in overall production, diverts resources from production of domestic goods. Either prices increase or consumption decreases.

Agricultural Sector

Generally, the effect of the debt burden and subsequent adjustments on agriculture and agricultural trade are determined by the ways in which macroadjustment policies influence prices, savings, investment, output, and demand. Effects on agriculture from tighter monetary or fiscal policy have to work their way through the general economy. Effects on the agricultural sector will depend on how economic adjustments affect investment in agriculture, costs and returns to producers. They also depend on how economic adjustments affect agricultural investment and how important agricultural production and trade is to the general economy.

In Latin American countries, agriculture's value added varied from 7 percent in Venezuela to 22 percent in Colombia. Agricultural exports as a percent of total exports are large for such countries as Argentina, Brazil, and Colombia. Agricultural imports as a percent of total imports are fairly large for Mexico, Peru, and Venezuela. Increasing agricultural exports or decreasing agricultural imports may require changes in investment policies, domestic price policies, or both. The effect of changes in domestic saving and investment on agriculture and agricultural trade depends on investment required to sustain or increase current production levels and on changes in investment and government expenditures on agriculture. Investment strategies take time to realize. Agricultural exporters that have already developed export industries, such as Brazil's soybean and orange juice processing facilities, or Argentina's soybean crush plants, have less to worry about than those poised to make the investment.

Domestic fiscal problems and budget pressures also affect policies, production, and exports. However, the effect depends on where the fiscal cuts are made. Budget

Value added by agriculture for Latin American countries

	1980	1981	1982	1983	1984
			Percent of GDP		
Argentina	12.65	--	15.63	15.28	15.36
Brazil	9.14	--	9.54	10.07	10.05
Chile	8.26	--	9.38	9.17	9.29
Colombia	22.69	--	22.25	22.44	22.21
Mexico	8.99	--	8.83	9.59	9.49
Peru	12.61	--	13.74	13.98	14.77
Venezuela	6.28	--	6.36	6.77	7.02

-- not available

Agricultural imports as a percent of total imports

	1980	1981	1982	1983	1984
			Percent		
Argentina	6.5	5.8	5.3	5.5	6.6
Brazil	9.9	9.1	8.5	8.7	11.0
Chile	15.9	12.6	14.4	17.2	13.8
Colombia	11.5	9.5	10.3	10 .9	8.3
Ecuador	8.1	7.8	9.1	14.9	12.1
Mexico	16.1	13.5	12.8	26.3	20.8
Peru	20.4	20.4	18.0	17.5	15.7
Venezuela	16.2	17.0	15.2	11.6	20.7

Agricultural exports as a percent of total exports

	1980	1981	1982	1983	1984
			Percent		
Argentina	68.8	69.8	64.0	75.3	72.7
Brazil	46.8	41.8	40.3	41.5	38.9
Chile	8.5	10.5	10.3	9.3	12.0
Colombia	77.2	71.1	69.6	68.0	66.4
Ecuador	25.1	22.1	24.1	17.1	19.8
Mexico	11.2	8.1	6.6	7.3	7.2
Peru	9.7	9.3	9.4	6.0-	8.9
Venezuela	0.4	0.4	0.6	0.8	0.6

problems could be an incentive to remove policies that have subsidized consumer prices and kept prices down to producers. They also could be an incentive to eliminate programs that have assisted domestic commodity producers.

The effect of economic adjustments on agricultural trade could be felt directly through the balance of trade. In Latin America, agricultural imports as a percent of total imports declined in Argentina, Brazil, Chile, Colombia, Peru, and Venezuela, while they increased in Chile and Ecuador. Agricultural exports increased from Argentina, Brazil, Venezuela, and Mexico, while they decreased from Bolivia, Chile, Colombia, Ecuador, and Peru. Argentina is the only country that increased agriculture as a percent of total exports. However, the level of agricultural trade depends more on its structure, whether a country is an exporter or importer, and on world markets for agricultural products. Changes in agricultural trade depend very much on domestic production and on world markets. Commodity exporters are subject to market price swings. Exporters also depend on industrialized-country growth and demand.

Economic growth is viewed as being the predominant way out of the crisis. In order to achieve it, investment and saving must continue. Yet reductions in capital inflows restrict possibilities for new investment, and consequently diminish the growth opportunity. Ironically, these countries must now increase exports not only to pay debt service but also to finance growth-related imports, reducing domestic saving and investment even more and putting strains on domestic prices and exchange rates.

It may look like the worst has passed for Latin American debtors with current changes in the international economy. The drop in the dollar, interest rates, and oil prices may provide some relief to major debtor countries. (Oil exporters such as Mexico and Venezuela are the exception.) However, these countries must now face the consequences of the cutback in domestic resources; the result is major uncertainty in the economic future.

External adjustment basically means correcting balance-of-payment deficits or balancing the current and capital accounts. The balance is often at the level of deficits or surplus deemed acceptable by policymakers. This also implies an acceptable level of macroeconomic variables to maintain this policy. If the current and capital accounts do not balance at the acceptable level, adjustments in either reserves or the exchange rate will result. Changes in reserves affect domestic money supply. Changes in exchange rates affect the level of trade, domestic income, and expenditures. External adjustment is important to the international economy, because external accounts reflect "fundamental" price relationships between countries.

The debt influences balance of payments through both current and capital accounts. Foreign loans are a credit on the capital account that offsets current account deficits. The capital account includes medium-, long-, and short-term funds for foreign direct investment and for purchase or sale of securities. Foreign loans can also finance domestic consumption or government expenditures. Debt service is a debit on the current account. The current account also includes the trade balance for goods and services and unilateral transfers.

The domestic effects of external policies come through both fiscal and monetary variables. In a flexible exchange rate regime the money supply is independent of exchange-rate changes, which affect relative prices between traded and non-traded goods, net trade and the level of domestic output. External policies also increase domestic interest rates, but capital inflows can hold them down. In a fixed exchange rate regime where the money supply is tied to other economies, changes in reserves to balance external accounts affect the money supply and price levels. Capital inflows increase the money supply, unless they are offset by changes in domestic credit.

FERTILIZER CONSUMPTION TRENDS IN THE WESTERN HEMISPHERE

Ricardo Krajewski

There has been a long-term trend of rising fertilizer consumption throughout the Western Hemisphere. Between 1961 and 1983, the average use rate grew over 6 percent a year in Canada, 3 percent a year in Latin America, and slightly over 1 percent a year in the United States. The growth in fertilizer consumption was much faster than the expansion in cropland. As a result, usage of fertilizer per hectare of arable land rose from 8 kilograms a hectare in Latin America in 1961 to 37 in 1983. In Canada and the United States it increased from 36 to 78 kilograms per hectare during the same period.

Within the region, 1983 fertilizer consumption was highest in Brazil (2.3 million tons), followed by Canada and Mexico with 2.2 and 1.4 million tons respectively. Between 1968 and 1983, Mexico's 8.4-percent rate of growth in fertilizer use was the highest in the region. Use rose nearly as fast in Brazil (8 percent), Canada (7.8 percent), and Venezuela (7.6 percent).

The most recent statistics indicate that world fertilizer consumption increased 9.3 percent in 1983/84 to an all-time high. Consumption in Canada increased 13 percent (236,000 tons), but use in Latin America declined 7 percent (329,000 tons). Mexican and Brazilian consumption fell 21 and 16 percent, respectively, as financial constraints limited the ability to import. Most of the other countries in the region experienced little change.

Production Also Increases

Between 1968 and 1983, global fertilizer output rose an average 4.3 percent a year. Fertilizer production in the Western Hemisphere, excluding the United States, accounts for about 10 percent of world output. Canada's 10.2-million-ton output is by far the largest in the region. Brazil and Mexico, with about 1.6 and 1.3 million tons respectively, are the other major producers.

Venezuela's output registered the fastest growth. Its production increased nearly 22 percent a year to 242,000 tons. Brazil's growth in output (15 percent) also increased more rapidly than its consumption rate of 8 percent.

In the Western Hemisphere the largest production increase was in Canada, where output rose by 23 percent from 1982 to a record 10.2 million tons. Brazil, the region's second-largest producer, had an increase of 3 percent to a higher level than both previous years, but lower than the record of 1980/81. Mexico experienced a decline of 1.3 percent, but only fell 17,000 tons short of the record of 1982/83. The entire Latin America region experienced a drop of 1.7 percent, only 8,600 tons short of the 1980/81 record. However, production has been increasing an average of over 8 percent per year for the past decade.

Nitrogenous fertilizer production involves high capital investment. Production is very dependent on the availability and cost of natural gas to produce ammonia, the preferred feedstock. Latin America's natural gas reserves represent 4.3 percent of the world's total, and Latin America ranks after Eastern Europe/USSR as the world's second-largest ammonia exporter, with 27 percent of the 1.8-million-ton market. Over 90 percent of the region's exports come from Mexico, Trinidad and Tobago, Brazil, and Venezuela. The expansion of ammonia production is expected to increase 5.1 million tons in the next 5 years.

Despite the region's projected increase in production capacity to 17.8 million metric tons a year, the expected growth in nitrogen consumption will leave a deficit of nitrogenous fertilizers during the next half decade.

Land and fertilizer use in the Western Hemisphere

Country	Compound growth rates, 1968-83				Quantity of fertilizer, 1983	
	Land		Fertilizer			
	Arable	Crops	Prod.	Cons.	Prod.	Cons.
	Percent change				1,000 tons	
Argentina	0.6	0.3	-0.7	3.0	32	125
Brazil	2.4	3.0	15.5	8.0	1,588	2,291
Canada	0.8	0.0	4.9	7.8	10,180	2,252
Mexico	0.1	0.5	6.4	8.4	1,303	1,445
Trinidad/ Tobago	1.6	0.7	-8.4	-2.4	28	8
Venezuela	0.6	0.2	22.6	7.6	237	145

Source: 1984 FAO Fertilizer Yearbook.

Latin America's 1980/81 phosphate fertilizer production was 1.5 million tons; 0.9 percent of world output. The trend in many countries which export phosphate rock is to increase the manufacture of phosphoric acid and phosphatic fertilizer for export. In 1983/84 Brazil manufactured 1 million tons of these products, followed by Canada and Mexico with 655,000 and 258,000 tons, respectively. These three countries comprise 92 percent of the Western Hemisphere's production. The cost of production is far less capital intensive than for nitrogen, and depends more on the cost and location of raw materials (phosphate rock) which may account for up to 70 percent of production cost. Mexico is increasing its phosphate production capacity 581,000 tons by 1987. Brazil plans one additional 165,000-ton plant, and Peru is planning two plants with an expected capacity of 330,000 tons.

Potash is traded internationally as potassium chloride, potassium sulphate, potassium nitrate, or as a compound fertilizer. Eight countries dominate the world market. The only one in the Western Hemisphere is Canada, with 26 percent of the world's 7.2-million-ton output. The Western Hemisphere's largest known deposits of potash are in Canada, with reserves estimated at 67,100 million tons, equal to 49 percent of the world's known resources. Brazil has an estimated 272 million tons of reserves; only 0.2 percent of the world total. Only two other countries in the region have any potash resources: Chile with approximately 18 million tons and Peru with 9 million.

In 1973/74, Latin America imported 62 percent of its potash fertilizer needs from the United States and 12 percent from Eastern Europe and the USSR. However, by 1983/84, only 30 percent (349,000 tons) originated in the United States, while 56 percent (655,000 tons) came from Eastern Europe/USSR. The balance of imports, 15 percent (175,000 tons), comes from Western Europe.

No major changes in potash supply and demand are expected in the future. Canada, however, will likely expand its production capacity somewhat. Brazil is also increasing its production. Potash demand in Latin America is expected to drop because of the region's reduced ability to finance imports.

There are relatively few known deposits of potash and the cost of production is mainly related to investments and transportation. The market is very structured and regulated by contracts between producers and major buyers, and quantities of supplies are assured at pre-negotiated prices. About one-half of the world's potash exports are made on forward contracts. Canada's large deposits and modern facilities make it a price setter. The USSR, with 33 percent of world production, also influences world prices.

Prices Fluctuate Widely

The world fertilizer market has been very volatile over the past decade and a half, as indicated by export prices. But the price changes in the world market were not always reflected at the farm gate due to subsidies or domestic price-setting policies by various governments. Several countries maintain fixed prices. In spite of expected substantial increases in the Western Hemisphere's production capacity for nitrogen and potassium fertilizers over the rest of the decade, consumption and imports will outstrip the growth in production capacity.

Table 1.--Western Hemisphere: Population, gross domestic product, and foreign exchange holdings 1/

Country	Population 1984	Population 1985	Change	Gross Domestic Product 1983 2/	GDP 1984 3/	GDP 1985 3/	Foreign exchange holdings 4/ 1984	1985	change
	Millions		Percent	Mil. dol.	Percent	Percent	Million dollars		Percent
Mexico	75.8	77.8	2.6	155,281	3.7	4.3	7,269.0	4,996.0	-31.3
Barbados	0.3	0.3	0.4	705	2.2	2.4	130.4	137.1	5.1
Cuba 5/	10.0	10.1	1.1	26,418	7.4	7.5	300.0	350.0	16.7
Dominican Republic	6.4	6.6	2.6	7,239	0.4	-2.2	253.1	308.7	22.0
Haiti	5.7	5.8	1.9	1,576	1.8	1.7	12.9	6.3	-51.2
Jamaica	2.2	2.3	1.0	3,810	-0.4	-4.0	96.9	123.9	27.9
Trinidad/Tobago	1.2	1.2	1.6	3,319	-6.6	0.5	1,131.3	814.4	-28.0
Other islands	1.5	1.5	0.5	2,103	2.8	2.0	445.7	501.6	12.6
Belize	0.2	0.2	2.5	169	2.1	-2.0	4.2	12.7	202.4
Guyana	0.8	0.8	0.2	524	3.8	3.8	5.9	2.9	-51.3
Suriname	0.4	0.4	1.7	1,025	-0.1	-5.1	23.6	22.6	-4.4
Caribbean	28.7	29.2	1.8	46,[illegible]	4.0	3.9	2,403.9	2,280.1	-5.1
Costa Rica	2.6	2.7	2.8	3,611	7.5	1.6	372.1	455.9	22.5
El Salvador	4.9	5.0	2.1	3,317	1.5	1.6	165.8	179.6	8.3
Guatemala	8.1	8.3	3.0	9,233	0.6	-1.1	272.4	300.9	10.5
Honduras	4.3	4.4	3.4	2,730	2.8	3.0	128.0	105.8	-17.3
Nicaragua	3.1	3.2	3.2	2,803	-1.4	-2.6	283.2	100.0	-64.7
Panama	2.1	2.1	2.2	4,368	-0.4	3.3	171.2	120.6	-29.6
Central America	25.1	25.8	2.8	26,062	1.5	0.6	1,392.7	1,262.8	-9.3
Argentina	30.1	30.1	1.5	56,901	2.4	-3.1	1,242.0	2,363.0	90.3
Paraguay	3.6	3.7	2.9	5,677	3.1	4.0	600.3	475.8	-20.7
Uruguay	3.1	3.2	2.5	6,162	-1.8	0.0	129.0	165.0	27.9
Brazil	134.4	137.5	2.3	204,084	4.5	8.3	11,507.0	10,886.0	-5.4
Bolivia	6.3	6.5	3.2	3,663	-3.1	-2.1	251.6	200.7	-20.2
Chile	11.9	12.1	1.7	18,770	6.3	2.0	2,291.4	2,449.6	6.9
Colombia	28.2	28.9	2.5	28,872	3.0	3.1	1,364.0	1,595.0	16.9
Ecuador	9.1	9.3	2.2	9,945	4.1	3.2	610.7	689.4	12.9
Peru	19.2	19.7	2.6	18,149	4.7	1.5	1,364.5	1,607.7	17.8
Venezuela	16.9	17.4	3.0	40,126	-1.4	-0.4	7,716.0	8,937.0	15.8
Andean	91.6	93.9	2.5	119,525	2.2	1.4	13,598.2	15,479.4	13.8
Latin America	392.3	401.2	2.3	620,580	3.4	4.2	38,142.2	37,908.2	-0.6
Canada	25.2	25.4	0.8	326,769	4.7	4.5	1,741.0	1,574.0	-9.6
Western Hemisphere 6/	417.8	426.6	2.1	947,349	3.8	4.2	39,883.2	39,482.2	-1.0

1/ Regional totals include only those countries for which data are shown and may not add up bacause of rounding. 2/ Economic and Social Progress in Latin America, 1985, IDB; and individual country reports 3/ Estimates of growth in real terms. 4/ International Financial Statistics, IMF, April 1986. 5/ Estimates and forecasts. 6/ Excludes the United States.

Table 2.--Latin America: Indices of total and per capita agricultural and food production 1/

Country	Total						Per Capita					
	Agriculture			Food			Agriculture			Food		
	1983	1984	1985	1983	1984	1985	1983	1984	1985	1983	1984	1985
	Base: 1976-78 = 100											
Mexico	119	116	116	122	118	120	101	97	94	104	98	97
Barbados	97	107	115	97	107	115	95	105	112	95	105	112
Cuba	128	134	134	128	134	134	123	127	126	123	127	126
Dominican Republic	113	108	105	116	116	110	96	89	85	99	96	88
Haiti	109	107	99	105	110	97	99	95	86	96	98	85
Jamaica	83	90	89	81	88	86	78	84	82	76	82	79
Trinidad/Tobago	86	86	87	86	87	87	77	77	76	78	77	76
Caribbean	116	119	117	117	121	119	107	108	104	108	110	106
Caribbean less Cuba	104	103	100	103	106	101	93	90	86	92	93	87
Costa Rica	117	126	117	106	105	105	99	104	93	89	86	84
El Salvador	97	96	101	91	107	109	88	86	88	83	96	96
Guatemala	96	103	104	110	115	118	79	81	80	90	91	91
Honduras	122	126	125	125	128	128	98	98	94	100	99	97
Nicaragua	83	95	85	89	96	88	69	77	67	75	78	69
Panama	117	119	116	116	118	116	102	101	97	102	101	97
Central America	101	107	105	105	110	110	86	88	84	89	91	88
Argentina	107	118	115	110	121	118	96	105	101	99	108	103
Bolivia	76	103	102	74	102	101	65	85	83	63	85	82
Brazil	120	129	142	115	126	136	102	108	115	98	105	110
Chile	108	117	119	108	117	119	98	104	104	98	104	104
Colombia	119	122	118	119	123	122	105	106	100	106	106	104
Ecuador	112	116	139	115	118	141	94	94	110	97	96	112
Guyana	85	91	87	82	90	86	84	89	86	81	88	85
Paraguay	125	130	138	122	124	133	102	102	105	99	98	101
Peru	93	106	105	90	102	102	79	87	85	76	85	82
Suriname	144	147	149	144	147	149	142	142	142	142	142	142
Uruguay	110	109	113	108	106	111	108	106	110	106	103	108
Venezuela	117	122	132	117	122	131	96	98	103	97	98	102
South America	115	124	130	113	123	128	100	105	108	98	104	106
Latin America	114	121	125	114	121	125	99	103	104	99	103	104
Canada	113	110	119	114	110	118	106	101	108	106	101	108
Western Hemisphere 2/	114	119	124	114	119	124	100	103	105	100	103	105
United States	92	109	115	94	110	116	86	101	106	88	102	107

1/ Revised data for 1983 and 1984; preliminary for 1985. 2/ Excludes the United States.

Source: Economic Research Service, USDA, Indices of Agricultural Production.

Table 3.--Area and production of selected agricultural products by principal Latin American countries or regions 1/

Commodity by country	Area 2/			Production		
	1983	1984	1985 3/	1983	1984	1985 3/
	1,000 hectares			1,000 tons		
Wheat:						
Mexico	840	950	1,050	3,200	4,200	4,400
Argentina	6,880	5,950	5,296	12,750	13,200	8,500
Brazil	1,879	1,741	2,658	2,236	1,957	4,267
Chile	359	471	580	586	850	1,150
Uruguay	253	226	240	419	349	200
Total	10,211	9,338	9,824	19,191	20,556	18,517
Rice(rough):						
Mexico	170	120	200	435	335	600
Cuba	150	155	155	462	480	450
Dominican Republic	140	140	125	501	460	400
Haiti	50	50	50	96	120	100
Costa Rica	85	67	68	267	222	239
Nicaragua	38	45	40	135	169	130
Panama	106	96	96	199	199	179
Argentina	81	129	117	277	475	400
Brazil	5,108	5,356	4,752	7,741	9,022	9,019
Colombia	397	354	386	1,732	1,596	1,796
Guyana	75	97	90	215	310	265
Peru	180	200	180	630	850	765
Suriname	68	70	80	285	279	300
Uruguay	70	79	86	337	366	434
Venezuela	164	151	148	450	408	408
Total	6,882	7,109	6,573	13,762	15,291	15,485
Corn:						
Mexico	6,500	6,300	6,200	9,300	9,900	10,000
Haiti	200	200	150	180	186	130
El Salvador	241	242	253	438	521	498
Guatemala	690	706	680	1,045	1,102	1,100
Honduras	290	368	370	417	506	510
Nicaragua	180	170	170	210	200	200
Argentina	2,970	3,025	3,300	9,000	9,200	11,100
Bolivia	261	322	350	338	489	540
Brazil	10,742	12,205	11,802	21,000	20,000	22,000
Colombia	582	590	540	864	864	763
Paraguay	370	400	420	420	450	500
Peru	340	390	400	592	776	680
Venezuela	310	313	467	448	547	868
Total	23,676	25,231	25,102	44,252	44,741	48,889
Grain Sorghum:						
Mexico	1,400	1,300	1,400	4,000	4,100	4,100
Haiti	130	140	120	115	135	115
El Salvador	110	116	114	121	139	133
Nicaragua	44	52	50	95	136	130
Argentina	2,520	2,370	1,987	7,600	7,200	5,900
Colombia	272	236	240	595	570	570
Uruguay	50	47	63	107	119	152
Venezuela	197	239	250	364	472	431
Total	4,723	4,500	4,224	12,997	12,871	11,531

Continued

Table 3.--Area and production of selected agricultural products by principal Latin American countries or regions--continued 1/

Commodity by country	Area 2/			Production		
	1983	1984	1985 3/	1983	1984	1985 3/
	1,000 hectares			1000 tons		
Beans, dry:						
Mexico	1,900	1,600	1,800	1,100	820	1,000
Dominican Republic	50	50	45	45	38	34
Haiti	90	90	80	34	34	26
El Salvador	49	50	50	42	48	50
Nicaragua	50	50	50	57	60	55
Argentina	180	188	188	180	195	265
Brazil	4,069	5,309	5,316	1,587	2614	2548
Chile	86	85	85	84	100	110
Paraguay	80	80	80	60	60	65
Peru	50	55	50	50	55	50
Venezuela	74	62	84	36	30	44
Total	6,678	7,619	7,828	3,275	4,054	4,247
Potatoes:						
Mexico	67	79	81	875	950	975
Cuba	13	14	14	230	230	220
Argentina	105	105	105	2,018	2,018	2,018
Bolivia	117	130	130	302	800	800
Brazil	168	172	157	1,818	2,172	1,989
Chile	70	90	90	684	1,036	909
Colombia	161	160	160	2,034	1,980	1,980
Peru	150	160	139	1,300	1,400	1,910
Total	851	910	876	9,191	10,586	10,801
Cotton:						
Mexico	245	320	200	218	270	202
Guatemala	51	60	63	61	59	67
Nicaragua	117	120	120	85	87	80
Argentina	360	476	450	111	180	177
Brazil	2,929	3,103	3,582	510	690	910
Colombia	56	119	213	33	77	125
Paraguay	240	270	400	80	100	130
Peru	95	120	125	72	86	88
Total	4,093	4,588	5,153	1,170	1,549	1,779
Peanuts:						
Mexico	45	40	43	60	55	66
Argentina	125	146	138	250	329	260
Brazil	210	150	190	250	220	340
Total	380	336	371	560	604	666
Soybeans:						
Mexico	350	350	370	600	550	750
Argentina	2,281	2,910	3,269	4,200	7,000	6,500
Brazil	8,136	9,320	10,000	14,750	15,400	18,200
Paraguay	350	420	550	520	930	950
Total	11,117	13,000	14,189	20,070	23,500	26,400
Tobacco:						
Mexico	40	33	35	63	48	54
Cuba	50	48	50	37	38	40
Dominican Republic	24	25	20	26	22	17
Argentina	58	62	53	71	78	60
Brazil	285	276	264	378	392	397
Colombia	29	22	21	46	35	32
Total	486	466	443	621	613	600

1/ Includes crops harvested mainly in year shown. Totals are for those countries for which data are shown. 2/ Harvested area insofar as possible. 3/ Preliminary.

Sources: Economic Research Service, Foreign Agricultural Service, USDA; Food and Agricultural Organization of the United Nations.

Table 4.--Latin America: Production of selected agricultural products 1/

Commodity	1983	1984	1985 2/
	1,000 tons		
Crops:			
Cassava:			
Cuba	300	300	250
Dominican Republic	163	165	170
Haiti	260	260	250
Bolivia	180	200	220
Brazil	23,000	21,316	23,287
Colombia	1,555	1,754	1,850
Paraguay	2,200	2,300	2,300
Peru	361	363	350
Total	28,019	26,658	28,677
Sugar, centrifugal (raw):			
Mexico	3,242	3,405	3,436
Cuba	7,460	7,780	8,100
Dominican Republic	1,159	1,100	980
Other Caribbean 3/	820	850	870
Central America 3/	1,731	1,750	1,607
Argentina	1,621	1,535	1,180
Brazil	9,400	8,890	8,200
Colombia	1,332	1,283	1,300
Peru	450	626	730
Venezuela	360	365	430
Total	27,575	27,584	26,833
Cottonseed:			
Mexico	377	459	345
El Salvador	43	42	25
Guatemala	78	91	74
Honduras	7	7	9
Nicaragua	160	135	121
Argentina	220	326	300
Brazil	1,198	995	1,692
Colombia	61	147	186
Paraguay	141	180	270
Peru	60	110	145
Total	2,345	2,492	3,167
Cocoa beans:			
Mexico	36	38	40
Dominican Republic	43	42	45
Brazil	339	309	415
Ecuador	55	55	110
Total	473	444	610
Bananas:			
Mexico	1,617	1,500	1,550
Cuba	210	250	220
Dominican Republic	322	318	324
Costa Rica	1,040	1,045	1,040
Guatemala	490	500	550
Honduras	1,500	1,600	1,700
Nicaragua	160	180	180
Panama	615	620	625
Brazil	5,200	5,100	5,438
Ecuador 4/	1,295	1,758	1,785
Peru	444	449	475
Venezuela	934	965	989
Total	13,827	14,285	14,876
Coffee:			
Mexico	272	255	265
Dominican Republic	66	63	60
Coffee:	1,000 tons		
Costa Rica	124	154	126
El Salvador	186	168	180
Guatemala	140	156	150
Honduras	84	90	84
Nicaragua	43	60	50
Brazil	1,800	1,620	1,980
Colombia	798	780	660
Total	3,513	3,346	3,559
Livestock and poultry products:			
Beef and veal:			
Mexico	1,229	1,323	1,379
Cuba	165	170	160
Dominican Republic	49	53	55
Costa Rica	67	62	63
El Salvador	30	22	22
Guatemala	63	67	57
Honduras	65	35	38
Nicaragua	45	50	45
Argentina	2,384	2,570	2,700
Brazil	2,400	2,300	2,400
Colombia	619	629	643
Uruguay	412	313	328
Venezuela	340	301	320
Total	7,868	7,895	8,210
Pork:			
Mexico	1,136	942	864
Argentina	232	235	240
Brazil	950	567	600
Colombia	110	112	108
Total	2,428	1,856	1,812
Poultry meat:			
Mexico	538	560	612
Dominican Republic	68	63	70
Argentina	214	248	244
Brazil	1,580	1,398	1,430
Venezuela	290	360	351
Total	2,690	2,629	2,707
Milk:			
Mexico	9,855	7,706	7,197
Cuba	950	950	950
Dominican Republic	353	389	335
Argentina	5,300	5,200	5,600
Brazil	10,700	10,500	10,350
Chile	927	910	920
Colombia	2,941	3,090	3,128
Total	31,026	28,745	28,480
Eggs:			
Mexico	777	924	951
Argentina	180	180	185
Brazil	500	472	500
Chile	61	63	70
Peru	45	46	45
Total	1,563	1,685	1,751
Wool, shorn:			
Argentina	155	158	160
Brazil	30	30	30
Uruguay	82	84	84
Total	267	272	274

1/ Crops harvested mainly in year shown; cocoa beans and coffee harvest begin in year shown.
2/ Preliminary. 3/ Caribbean includes Belize and Central America does not. 4/ Exportable type only.

Sources: Economic Research Service, Foreign Agricultureal Service, USDA;
Food and Agricultural Organization of the United Nations.

Table 5.---Latin America: Exports of selected agricultural commodities

Commodity by country	Exports 1983	1984 1/	1985 2/
	1,000 tons		
Wheat:			
Mexico	2	3	3
Argentina	7,847	9,400	4,300
Total	7,849	9,403	4,303
Rice, milled basis:			
Argentina	71	140	165
Colombia	7	24	35
Guyana	45	47	35
Suriname	125	130	130
Uruguay	171	225	244
Total	419	566	609
Corn:			
Argentina	6,056	5,448	7,100
Brazil	766	178	0
Total	6,822	5,626	7,100
Sorghum:			
Argentina	5,197	4,170	3,300
Total	5,197	4,170	3,300
Sugar, raw basis:			
Cuba	6,792	7,016	7,100
Barbados	69	89	90
Dominican Republic	816	845	740
Jamaica	153	157	139
Trinidad/Tobago	62	65	65
Belize	111	97	95
Costa Rica	53	103	52
El Salvador	78	103	119
Guatemala	278	250	251
Honduras	111	102	85
Nicaragua	129	100	70
Panama	136	82	65
Argentina	770	310	100
Brazil	3,121	2,283	1,800
Colombia	301	183	294
Guyana	255	224	210
Peru	92	119	95
Total	13,327	12,128	11,370
Coffee, green or roasted:			
Mexico	185	174	177
Cuba	8	9	8
Dominican Republic	36	33	36
Haiti	19	30	20
Costa Rica	108	113	131
El Salvador	144	154	161
Guatemala	119	187	131
Honduras	74	63	83
Nicaragua	61	60	47
Brazil	931	1,030	1,014
Colombia	539	612	602
Total	2,224	2,465	2,410
Bananas, plaintains, fresh 3/:			
Guadeloupe	105	125	130
Jamaica	23	11	30
Martinique	160	160	165
Windward Is.	120	140	150
Costa Rica	1,012	1,007	800
Guatemala	306	308	310
Honduras	635	830	800

Commodity by country	Exports 1983	1984 1/	1985 2/
	1,000 tons		
Bananas, plaintains, fresh:			
Nicaragua	50	50	50
Panama	572	500	690
Brazil	92	103	100
Colombia	787	1,030	700
Ecuador	800	974	1,200
Total	4,662	5,238	5,213
Cocoa beans:			
Mexico	12	4	2
Dominican Republic	38	36	36
Brazil	152	107	172
Ecuador	55	48	106
Total	257	195	316
Beef and veal: 4/			
Costa Rica	14	22	27
Honduras	20	18	10
Nicaragua	15	12	10
Argentina	415	250	260
Brazil	400	480	530
Colombia	14	5	2
Uruguay	225	131	134
Total	1,103	918	973
Cotton, raw:			
Mexico	69	123	77
Guatemala	46	52	50
Nicaragua	76	80	70
Argentina	25	25	50
Brazil	180	33	102
Colombia	14	27	56
Peru	30	35	39
Paraguay	80	100	130
Total	520	475	604
Tobacco, unmanufactured:			
Mexico	11	13	9
Cuba	12	5	10
Dominican Republic	12	15	13
Argentina	29	25	25
Brazil	155	161	170
Colombia	9	11	11
Paraguay	13	14	11
Total	241	244	249
Soybeans:			
Argentina	1,338	3,132	2,954
Brazil	1,295	1,561	3,495
Paraguay	610	430	845
Total	3,243	5,123	7,294
Soybean meal:			
Argentina	1,765	2,663	2,350
Bolivia	24	30	20
Brazil	8,503	7,613	8,599
Paraguay	49	56	43
Uruguay	3	1	3
Total	10,344	10,363	11,015
Soybean oil:			
Argentina	298	504	460
Brazil	1,075	929	956
Total	1,373	1,433	1,416

1/ Revised. 2/ Preliminary. 3/ Exportable type only. 4/ Carcass-weight basis; excludes fats and offal.
Sources: Economic Research Service and Foreign Agricultural Service, USDA;
Food and Agriculture Organization of the United Nations.

Table 6.--Latin America: Imports of selected agricultural commodities

Commodity by country	Imports 1983	1984 1/	1985 2/
	1,000 tons		
Wheat 3/:			
Mexico	423	342	319
Cuba	1,300	1,200	1,300
Dominican Republic	200	175	205
Haiti	158	170	175
Jamaica	180	190	200
Trinidad/Tobago	110	140	150
Costa Rica	115	120	120
El Salvador	137	150	160
Guatemala	125	123	120
Honduras	83	112	100
Nicaragua	[illegible]	70	75
Panama	62	65	72
Brazil	4,182	4,867	3,800
Colombia	697	655	697
Chile	1,158	959	450
Peru	790	972	1,000
Venezuela	873	977	1,117
Total	10,673	11,287	10,060
Rice, milled basis:			
Mexico	--	168	164
Cuba	225	220	200
Jamaica	[illegible]	50	50
Trinidad/Tobago	55	50	55
Brazil	326	23	512
Chile	31	[illegible]	5
Peru	101	[illegible]	0
Total	[illegible]	567	[illegible]
Corn:			
Mexico	4,691	2,511	1,742
Cuba	405	400	500
Dominican Republic	255	175	185
Jamaica	170	140	150
Trinidad/Tobago	125	120	100
Brazil	217	254	965
Chile	144	36	10
Peru	362	115	276
Venezuela	1,380	1,600	1,323
Total	7,749	5,351	5,251
Sorghum:			
Mexico	3,308	2,775	2,106
Venezuela	282	347	1,949
Total	3,590	3,122	4,055
Sugar, raw basis:			
Mexico	789	252	[illegible]
Chile	221	191	10
Uruguay	15	5	5
Venezuela	253	234	234
Total	1,278	682	249

Commodity by country	Imports 1983	1984 1/	1985 2/
	1,000 tons		
Bananas, plaintains, fresh:			
Argentina	150	150	155
Venezuela	133	130	130
Total	283	280	285
Soybeans:			
Mexico	895	1,674	1,257
Dominican Republic	19	12	30
Haiti	89	64	32
Jamaica	70	63	50
Brazil	34	134	428
Colombia & Peru	100	[illegible]	143
Venezuela	70	113	138
Total	1,277	2,158	2,078
Soybean meal:			
Mexico	169	46	35
Cuba	164	212	200
Dominican Republic	75	81	81
Chile	34	31	27
Peru	36	40	55
Venezuela	496	568	665
Total	974	938	1,063
Soybean oil:			
Mexico	0	88	30
Dominican Republic	35	37	43
Bolivia	20	20	20
Chile	104	79	78
Colombia	90	60	53
Ecuador	55	77	50
Peru	97	50	34
Venezuela	57	111	[illegible]
Total	458	411	396
Barley:			
Mexico	87	83	1
Cuba	50	70	80
Chile	0	12	5
Colombia	118	150	150
Peru	19	29	50
Total	274	344	286
Apples:			
Mexico	1	1	1
Brazil	115	90	90
Venezuela	2	1	1
Total	118	92	92
Pulses:			
Mexico	1	--	117
Cuba	90	95	100
Colombia	21	20	20
Venezuela	94	[illegible]	95
Total	206	195	332

1/ Revised. 2/ Preliminary. 3/ Including flour equivalent.

Sources: Economic Research Service and Foreign Agricultural Service, USDA;

Table 7.- U.S. Agricultural trade with the Western Hemisphere

Country	U.S. exports to			U.S. imports from		
	1983	1984	1985 1/	1983	1984	1985 1/
	Million dollars					
Mexico	1,942.4	1,992.6	1,439.3	1,279.4	1,278.0	1,445.5
Bahamas	65.0	70.4	90.3	1.8	4.2	3.0
Barbados	30.2	32.5	29.0	9.1	7.4	11.0
Bermuda	42.1	44.2	41.1	0.1	0.1	—
Dominican Republic	160.2	167.9	173.2	366.4	458.9	378.1
French West Indies	7.3	6.4	4.4	0.3	0.8	0.3
Haiti	70.5	72.9	71.1	40.7	38.7	24.7
Jamaica	119.5	144.9	116.2	26.0	29.9	30.5
Leeward & Windward Isles	45.6	58.7	51.0	8.6	7.2	—
Netherlands Antilles	76.1	76.6	63.6	0.2	1.5	3.1
Trinidad/Tobago	140.1	131.3	109.4	2.8	11.5	5.6
Other Caribbean Islands	11.0	14.0	13.5	—	0.2	0.2
Caribbean	767.6	819.8	762.8	455.9	560.4	456.5
Belize	7.2	8.6	6.8	13.7	18.4	14.3
Costa Rica	52.9	41.8	43.8	269.6	310.1	287.4
El Salvador	86.2	100.9	94.1	243.4	231.2	280.3
Guatemala	68.3	89.5	81.1	294.4	361.8	333.2
Honduras	41.2	45.6	45.6	263.4	282.1	253.7
Nicaragua	23.8	15.4	4.9	81.2	47.1	34.4
Panama	100.9	85.7	83.8	133.7	107.3	146.3
Central America	380.3	387.5	360.2	1,299.4	1,358.0	1,349.6
Argentina	18.1	18.8	15.3	281.0	313.5	307.9
Bolivia	48.5	24.0	27.3	18.3	6.6	12.0
Brazil	478.7	508.3	470.1	1,655.5	2,110.9	2,333.4
Chile	205.5	154.6	93.7	126.4	157.1	211.7
Colombia	250.1	213.8	218.0	569.5	714.9	758.6
Ecuador	115.0	151.4	100.1	290.0	412.0	526.0
French Guiana	0.3	0.2	0.0	0.1	—	—
Guyana	3.5	4.5	3.4	13.7	16.1	2.5
Paraguay	1.1	1.1	1.6	28.3	27.0	17.0
Peru	310.6	176.2	76.0	130.3	167.0	159.9
Suriname	20.2	19.5	12.2	.0	0.1	0.4
Uruguay	6.1	7.9	2.4	13.4	20.0	13.1
Venezuela	664.9	782.5	638.2	15.8	32.8	36.6
South America	2,122.6	2,062.8	1,658.3	3,142.3	3,978.1	4,379.2
Total Latin America	5,212.9	5,262.7	4,220.6	6,177.0	7,174.5	7,630.8
Canada	1,870.0	1,932.4	1,621.8	1,510.1	1,850.6	1,894.1
Western Hemisphere 2/	7,082.9	7,195.1	5,842.4	7,687.1	9,025.1	9,524.9
Total World	36,098.0	37,804.4	29,025.1	16,530.0	19,324.0	19,968.4
Percentage of world						
Western Hemisphere	19.6	19.0	20.1	46.5	46.7	47.7

Regional totals may not sum due to rounding.
-- = Not available.
1/ Preliminary. 2/ Excludes the United States.

Sources: Bureau of the Census; Foreign Agricultural Service, USDA.

Table 8.--Canada: Suply and use of crops

Commodity and year	Area	Yield	Production	Total supply	Total use domestic	Feed use	Net exports	Ending stocks
	Mil ha	Tons/ha		Million tons				
Wheat								
1983/84	13.7	1.94	26.5	36.5	5.5	2.3	21.8	9.2
1984/85	13.2	1.61	21.2	30.4	5.3	2.0	17.6	7.5
1985/86 1/	13.7	1.75	23.9	31.5	5.9	3.0	18.0	7.5
Barley								
1983/84	4.4	2.35	10.2	15.3	7.8	7.0	5.5	2.0
1984/85	4.6	2.25	10.3	12.4	7.5	6.6	2.7	2.1
1985/86 1/	4.8	2.58	12.3	14.4	7.5	6.6	3.5	3.4
Corn								
1983/84	1.1	5.52	5.9	7.7	6.3	5.1	.2	1.0
1984/85	1.2	5.89	7.0	8.6	6.6	5.5	-.1	1.4
1985/86 1/	1.2	6.17	7.4	9.1	6.4	5.6	.6	1.8
Rapeseed								
1983/84	2.3	1.12	2.6	3.1	1.5	--	1.5	.1
1984/85	3.1	1.09	3.4	3.5	1.6	--	1.5	.5
1985/86 1/	2.8	1.24	3.5	3.9	1.6	--	1.5	.8
Flaxseed								
1983/84	.4	1.03	.4	.9	.1	--	.6	.2
1984/85	.7	.99	.7	.9	.1	--	.6	.2
1985/86 1/	.7	1.24	.9	1.1	.2	--	.6	.3

-- = not applicable.
1/ 1985/86 data are forecasts.

Source: Statistics Canada and USDA World Agricultural Supply and Demand.

Table 9.--Canada: Suply and use of meats

Item and year	Begining inventory	Slaughter	Production	Consumption Total	Consumption Per cap. 1/	Imports	Exports	Ending stocks
	1,000 head			1,000 tons				
Cattle/beef								
1984	11.4	4.3	997	1,010	40.4	115	110	16
1985	11.0	4.3	1,020	1,020	40.5	110	113	13
1986	10.6	4.2	975	972	38.3	110	115	11
Hogs/pork								
1984	10.7	13.9	863	702	28.1	15	175	11
1985	11.0	14.4	900	712	25.2	20	205	14
1986	10.7	14.3	887	685	25.4	20	225	11
Poultry meat								
1984	--	--	558	592	23.7	41	2	25
1985	--	--	603	630	25.0	26	1	23
1986	--	--	622	647	25.5	30	1	27

-- = not available.
1986 data are forecasts.
1/ Kilograms.

Source: Statistics Canada and USDA World Agricultural Supply and Demand.

PUBLICATIONS
Western Hemisphere Branch

BOLLING, C. (1983) Jamaica: Factors Affecting Its Capacity to Import Food, ERS, FAER No. 176 (Jan.

BOLLING, C. (1983) Trinidad: Factor Affecting Its Capacity to Import Food, ERS, FAER No. 178. (Jan.)

BOLLING, C. (1983) Dominican Republic: Factors Affecting Its Capacity to Import Food. ERS, FAER No. 183 (Aug.)

BOLLING, C.: SUAREZ, N. (1983) Dominican Republic: An Export Market Profile. ERS, FAER No. 186. (Aug.)

NORMILE, M. (1983) Canada's Grain Handling and Transportation System, ERS, FAER No. 192. (Nov.)

BOLLING, C. (1984) Honduras: An Export Market Profile, ERS, FAER No. 196 (Feb.).

RUFF. S.; MIELKE, M. (1984) Brazil: An Export Market Profile, ERS, FAER No. 197 (Feb.).

TRAPIDO, P. (1984) Venezuela: A Prospective Market for Grain and Livestock Products, ERS, FAER No. 189 (June)

MIELKE, M. (1984) Argentine Agricultural Policies in the Grain and Oilseed Sectors, ERS, FAER No. 206 (Sept.).

LINK, J.; MIELKE, M. (Coord.) (1984) Latin America Outlook and Situation Report, ERS, RS-84-9 (July).

RUFF, SAMUEL (1984) Agricultural Progress in Ecuador, 1970-82, ERS, FAER No. 208 (Nov.)

TRAPIDO, P.J. (1984) Venezuela: An Export Market Profile, ERS, FAER No. 201 (Feb.).

WILLIAMS, G.W.; THOMPSON, R.L. (1984) The Brazilian Soybean Industry: Economic Structure and Policy Interventions, ERS, FAER No. 200 (Oct.).

LINK, JE. (Coord.) (1985) Latin America: Outlook and Situation Report, ERS, RS-85-9 (July).

GOODLOE, C. (Coord.) (1986) Agricultural Trade Responsiveness in Western Hemisphere Countries, ERS, Staff Report AGES 860326 (April)

Ballenger, N.S.; Norton, R.D. (1986) Optimization of Policy Goals in the Context of a Sector Model, ERS, Agricultural Economics Research Vol. 38, No 2 (Spring)

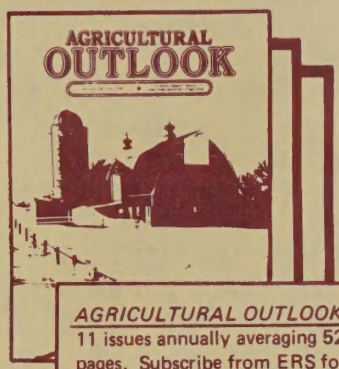
Ballenger, N.S., McCalla, A.F. (1986) Policy Programming for Mexican Agriculture, ERS, Staff Report AGES860501 (May)

Roberts, D.H.; Mielke, M.J. (1986) Mexico: An Export Market Profile, ERS, FAER No. 220 (May)

*U.S. GOVERNMENT PRINTING OFFICE: 1986-490-917:20539/ERS

ORDER DIRECT AND SAVE

Check these **new**, reduced subscription rates now offered on a user fee, cost-recovery basis from USDA's Economic Research Service.



AGRICULTURAL OUTLOOK. **11 issues annually averaging 52 pages. Subscribe from ERS for $26 domestic; $32.50 foreign.** USDA's official outlet for farm income and food price forecasts. Data and discussion of issues ranging from international trade to prospects for commodity supply and demand, food marketing, agricultural policies, and other major issues affecting agriculture and the economy.

FARMLINE. **11 issues annually averaging 20 pages. Subscribe from ERS for $14 domestic; $17.50 foreign.** Farm economic information in an easily read style, reinforced with charts and statistics for those without time to review all the technical reports from ERS. Reports on all economic topics important to those involved in agriculture, with the focus on the causes and implications.

NATIONAL FOOD REVIEW. **Quarterly averaging 40 pages. Subscribe from ERS for $9.00 domestic; $11.25 foreign.** The latest developments in food prices, product safety, nutrition programs, consumption patterns, marketing, and processing technology for those who manage, monitor, or depend on the Nation's food system.

HOW TO ORDER. Check the box for each publication or insert the number of extra subscriptions you wish to order. Write one check or money order to cover total charges. You will receive a copy of the most current issue, and a letter acknowledging your subscription. *Do not send cash. No credit cards. Sorry, no refunds.* **Foreign customers note:** Only checks drawn on U.S. banks, cashier's checks, or international money orders accepted.

Publication	Domestic	Outside U.S.
☐ Agricultural Outlook 11 issues	$26.00	$32.50
☐ Farmline 11 issues	$14.00	$17.50
☐ National Food Review Quarterly	$ 9.00	$11.25

Make check or money order payable to:

ERS Publications
USDA, Room 228
1301 New York Ave., N.W.
Washington, D.C. 20005-4789

Enclosed is my check or money order for $ ____

Please print or type information below

For additional information, call (202) 786 - 1494.

NAME	DAYTIME PHONE NO. ( )	OFFICE USE ONLY
COMPANY OR ORGANIZATION		Date Rec'd
STREET ADDRESS OR POST OFFICE BOX NO.		Amount
CITY	STATE / ZIPCODE	Pubs Req'd First Issue Last Issue

United States
Department of Agriculture
Washington, DC 20250

OFFICIAL BUSINESS
Penalty for Private Use, $300

FIRST–CLASS MAIL
POSTAGE & FEES PAID
U.S. Dept. of Agriculture
Permit No. G-145

Moving? To change your address, send this sheet with label intact, showing new address, to EMS Information, Rm. 228, 1301 New York Ave., N.W. Washington, D.C. 20005-4788